Charitable Gaming in Alberta

2002-2003 IN REVIEW

Alberta Advantage

Alberta

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Mandate

In accordance with the *Gaming and Liquor Act*, the *Criminal Code* (Canada) and within the policy framework established by the provincial government, the mandate of the Alberta Gaming and Liquor Commission (AGLC) is to:

- license, regulate and monitor gaming and liquor activities in Alberta;
- define operating policies and procedures for gaming and liquor activities;
- ensure integrity in the operation of gaming and liquor activities;
- collect gaming and liquor revenue;
- ensure business and program operations are run efficiently and effectively;
- disburse provincial lottery revenues;
- support industry and government initiatives to address problem gambling and responsible alcohol consumption; and
- communicate to gaming and liquor stakeholders accurate and timely information.

The AGLC administers the Alberta Lottery Fund under the provisions of the *Gaming and Liquor Act*.

Charitable Gaming Model

OVERVIEW

The purpose of charitable gaming in Alberta is to benefit charitable and religious groups. Under the province's charitable gaming model, eligible charitable or religious groups are licensed to conduct certain gaming activities, namely casinos, bingos, pull-tickets, and raffles.

The AGLC is committed to ensuring that the financial return to charitable and religious groups is maximized through these charitable gaming activities, and it does this by setting appropriate policies, procedures, and terms and conditions for their conduct. Maximizing financial returns in turn leads to greater benefits for the organizations, the programs and activities they deliver, and their communities.

Maintaining the integrity of gaming activities is also a prime focus of the AGLC. Through ongoing reviews of gaming activities, a diligent licensing process, and strict enforcement of policies, procedures, and terms and conditions, the AGLC works to ensure that groups licensed to conduct charitable gaming activities do so according to the requirements of their licence, with proceeds used to benefit Albertans.

On August 21, 2003, the MLA Review Committee on Charitable Gaming Licensing Eligibility and Use of Proceeds report was released. It contains 41 recommendations – accepted by government – intended to update the current charitable gaming policies and make them clearer to everyone involved in charitable gaming in Alberta. The revised Charitable Gaming Policies Handbook can be found on the AGLC's Web site at www.aglc.gov.ab.ca.

ELIGIBILITY REQUIREMENTS

A charitable or religious group is eligible for a licence to conduct gaming activities if the group:

- actively delivers a program or service which provides a benefit to a significant segment of the community. The program or service must be reasonably available to all members of the general public who qualify and wish to participate in that program or use that service; and
- uses revenue from its gaming activities for a charitable or religious objective or purpose.

Charitable Gaming Model

With the completion of the MLA Review Committee on Charitable Gaming Licensing Eligibility and Use of Proceeds, two types of groups who were not eligible in the past are now eligible for gaming licences based on the charitable benefit they provide to the community.

These are:

- Non-profit child care groups, provided that they hold a government daycare licence and their program is open to all members of the community; and
- Adult sports groups with a youth component that meet the other associated requirements.

The MLA Review Committee on Charitable Gaming Licensing Eligibility and Use of Proceeds report is available on the AGLC's Web site at www.aglc.gov.ab.ca, or by calling (780) 447-8600 (dial 310-0000 for toll-free access outside Edmonton).

ELIGIBLE GROUPS

The types of groups who are eligible to obtain licences to conduct charitable gaming activities can be categorized as follows:

CATEGORY	DESCRIPTION
Agriculture	Organizations registered under the *Alberta Societies Act* or *Agricultural Societies Act* as an agricultural fair or exhibition board.
Arts	Performing visual and literary arts groups which focus on art galleries, dance, general and instrumental music, choral, opera, theatre, historical and multicultural organizations, and museums and archives. This also includes marching, school and youth bands, and related groups such as parent associations and booster clubs.
Community	Groups whose activities are of a general nature that support a variety of programs in the community (for example, community associations and community leagues).

Charitable Gaming Model

Education	Organizations including playschools, non-profit child care groups that hold a government daycare licence, kindergarten, preschools, private schools, parent organizations in support of educational programs, and colleges, technical institutions and universities.
Medicine-Health	Organizations assisting those afflicted with a specific physical or mental disorder, organizations supporting basic medical research, and auxiliaries or support groups to health care facilities and people who are physically disabled.
Multiculturalism	Organizations which identify themselves with a country of specific ethnic origin and whose activities are of a general nature that support a wide variety of programs in the community.
Recreation	The organizations' activities are not of a competitive nature. They may include support for recreational facilities and parks and recreation organizations, among others.
Religion	Churches, parishes, temples, synagogues and auxiliary groups which support the religious activity and focus on furthering religious principles and objectives.
Senior Citizens	Organizations where the majority of membership is 60 years of age or older. Includes resident "clubs" in senior citizen homes and groups providing recreational and social activities for senior citizens.
Service	Fraternal, service and veteran organizations which are established by a statute or international/national "charter."
Social Action	Organizations which focus on specific issues of social concern and promote these issues through social and educational programs.
Sports	Organizations which support competitive amateur individual and team sports, including adult sports groups with a demonstrated youth component.
Youth	Organizations providing a variety of programming for young people, including auxiliary groups in support of these organizations.

Charitable Gaming Model

STRUCTURE

To be eligible for licensing, the applicant groups must:

- have a broad based volunteer membership;
- have an executive democratically chosen from its volunteer base*;
- not pay its members, directors or officers;
- have programs which benefit a large segment of the community, not the individual members' self interest;
- be a not-for-profit organization;
- have volunteers who are responsible for establishing, maintaining control of, and delivering the group's programs; and
- be incorporated (if a licence fee is required).

* An accepted recommendation from the MLA Review Committee on Charitable Gaming Licensing Eligibility and Use of Proceeds report allows for the appointment of up to 25 per cent of a charitable group's executive members by an external entity.

USE OF PROCEEDS

Returns from charitable gaming activities are intended to be used in a way that directly benefits communities. Gaming revenue may be used to pay prizes and expenses needed to operate an event. The remaining proceeds must then be used for previously approved charitable or religious purposes. Groups applying for a charitable gaming licence must specify on their application forms how they intend to use proceeds, and must submit financial reporting forms within a specified time frame after their event.

Charitable Gaming Model

The following are some examples of ways that charitable gaming activities benefit the community at large:

CATEGORY	BENEFITS TO THE COMMUNITY
Relief of the aged or disadvantaged	relief to the poor; programs for the elderly to remain active in society; social services and educational programs for the emotionally/physically distressed
Advancing education and learning	student scholarships; aid to schools; aid to libraries; aid to museums; aid to the arts; aid to the preservation of cultural heritage
Help to the community	improvements to quality of health; support medical research; aid medical treatment programs; supply a facility for community use; support competitive amateur athletics; contribute places for worship and other religious programs

Each of the above categories for use of proceeds must involve the delivery of a program to the community. Delivering this program will cause groups to incur different expenses. The following are examples of eligible uses of gaming proceeds:

- *Purchase or rental of equipment, furnishings and supplies to deliver programs*
- *Providing equipment, supplies, or programs to educate students*
- *Providing relief for people in distress, or victims of a physical disaster*
- *Travel to deliver a group's services in Alberta*

As part of the MLA Review Committee on Charitable Gaming Licensing Eligibility and Use of Proceeds, the use of proceeds policies have been clarified to ensure gaming proceeds are used to directly benefit the community.

All Licensed Gaming

	Licences	Total Gross ($000)	Prizes/ Winnings ($000)	Expenses ($000)	Slots ($000)	Net Proceeds to Charity ($000)
Fiscal 2002/2003						
Bingos	2,456	274,670	178,103	50,321		46,246
Casinos	2,893	640,432	513,103	86,240	80,334	121,423
Pull-tickets	620	42,138	31,140	2,600		8,398
Raffles(1)	288	89,319	39,321	20,313		29,685
	6,257	1,046,559	761,667	159,474	80,334	205,752
Fiscal 2001/2002						
Bingos	2,526	281,368	180,638	50,332		50,398
Casinos	2,828	649,543	524,410	77,797	67,060	114,396
Pull-tickets	719	48,756	36,232	2,760		9,764
Raffles(1)	280	77,896	34,536	17,817		25,543
	6,353	1,057,563	775,816	148,706	67,060	200,101
Fiscal 2000/2001						
Bingos	2,428	282,271	181,583	50,469		50,219
Casinos	2,743	611,273	494,498	70,062	52,413	99,126
Pull-tickets	611	40,931	30,658	1,921		8,352
Raffles(1)	295	77,909	34,467	18,003		25,439
	6,077	1,012,384	741,206	140,455	52,413	183,136

Fiscal 2002/2003 by Major Centre

	Licences	Total Gross ($000)	Prizes/ Winnings ($000)	Expenses ($000)	Slots ($000)	Net Proceeds to Charity ($000)
Calgary	1,337	385,941	289,191	55,954	26,258	67,054
Edmonton	1,570	410,366	298,214	63,650	31,854	80,356
Fort McMurray	266	20,988	15,172	3,273	2,714	5,257
Grande Prairie	257	22,920	15,924	4,253	4,323	7,066
Lethbridge	270	29,221	21,532	4,398	3,246	6,537
Medicine Hat	278	22,043	16,089	3,734	2,983	5,203
Red Deer	511	37,650	26,596	7,050	4,945	8,949
St. Albert	294	23,183	16,372	4,065	4,011	6,757
Other Locations	1,474	94,247	62,577	13,097	0	18,573
	6,257	1,046,559	761,667	159,474	80,334	205,752

(1) Does not include raffles under $10,000.

Bingos

	Licences	Events	Total Gross ($000)	Prizes/ Winnings ($000)	% of Gross	Expenses ($000)	% of Gross	Net Proceeds to Charity ($000)	% of Gross
Fiscal 2002/2003									
Calgary									
Regular	311	7,790	48,159	30,910	64.2	11,163	23.2	6,086	12.6
Satellite			8,247	4,124	50.0	784	9.5	3,339	40.5
Edmonton									
Regular	689	11,252	72,447	48,935	67.5	15,259	21.1	8,252	11.4
Satellite			11,586	5,794	50.0	1,101	9.5	4,692	40.5
All Other Locations									
Regular	1,456	22,389	114,184	78,306	68.6	20,110	17.6	15,768	13.8
Satellite			20,047	10,034	50.0	1,904	9.5	8,109	40.5
	2,456	41,431	274,670	178,103	64.9	50,321	18.3	46,246	16.8
Fiscal 2001/2002									
Calgary									
Regular	319	8,026	49,392	31,403	63.6	11,031	22.3	6,958	14.1
Satellite			8,880	4,442	50.0	844	9.5	3,594	40.5
Edmonton									
Regular	706	11,443	75,121	49,980	66.5	15,465	20.6	9,676	12.9
Satellite			12,739	6,370	50.0	1,210	9.5	5,159	40.5
All Other Locations									
Regular	1,501	23,091	114,365	77,997	68.2	19,800	17.3	16,568	14.5
Satellite			20,871	10,446	50.0	1,982	9.5	8,443	40.5
	2,526	42,560	281,368	180,638	64.2	50,332	17.9	50,398	17.9
Fiscal 2000/2001									
Calgary									
Regular	310	7,988	52,943	34,107	64.4	11,264	21.3	7,572	14.3
Satellite			8,473	4,237	50.0	805	9.5	3,431	40.5
Edmonton									
Regular	698	11,533	76,758	51,116	66.6	15,987	20.8	9,655	12.6
Satellite			12,560	6,280	50.0	1,193	9.5	5,087	40.5
All Other Locations									
Regular	1,420	20,907	110,926	75,533	68.1	19,262	17.4	16,131	14.5
Satellite			20,611	10,310	50.0	1,958	9.5	8,343	40.5
	2,428	40,428	282,271	181,583	64.3	50,469	17.9	50,219	17.8

Fiscal 2002/2003 by Major Centre

	Licences	Events	Total Gross ($000)	Prizes/ Winnings ($000)	Expenses	Net Proceeds to Charity ($000)
Calgary	311	7,790	56,406	35,034	11,947	9,425
Edmonton	689	11,252	84,033	54,729	16,360	12,944
Fort McMurray	74	955	8,764	6,006	1,263	1,495
Grande Prairie	67	954	7,067	4,508	1,210	1,349
Lethbridge	74	1,324	11,803	7,615	1,939	2,249
Medicine Hat	76	1,317	9,297	6,375	1,666	1,256
Red Deer	122	1,448	12,677	8,457	2,302	1,918
St. Albert	100	1,552	11,880	7,790	2,063	2,027
Other Locations	943	14,839	72,743	47,589	11,571	13,583
	2,456	41,431	274,670	178,103	50,321	46,246

Casinos

	Licences	Total Gross ($000)	Prizes/ Winnings ($000)	Expenses ($000)	Slots ($000)	Net Proceeds to Charity ($000)
Fiscal 2002/2003						
Calgary	900	288,471	232,042	36,285	26,258	46,402
Edmonton	729	273,567	220,263	35,588	31,854	49,570
All Other Locations	1,264	78,394	60,798	14,367	22,222	25,451
	2,893	640,432	513,103	86,240	80,334	121,423
Fiscal 2001/2002						
Calgary	902	304,748	248,588	33,028	21,405	44,537
Edmonton	732	266,592	215,615	30,717	27,059	47,319
All Other Locations	1,194	78,203	60,207	14,052	18,596	22,540
	2,828	649,543	524,410	77,797	67,060	114,396
Fiscal 2000/2001						
Calgary	896	281,578	229,745	29,119	17,335	40,049
Edmonton	728	259,348	211,174	28,052	20,062	40,184
All Other Locations	1,119	70,347	53,579	12,891	15,016	18,893
	2,743	611,273	494,498	70,062	52,413	99,126

Fiscal 2002/2003 by Major Centre

	Licences	Total Gross ($000)	Prizes/ Winnings ($000)	Expenses ($000)	Slots ($000)	Net Proceeds to Charity ($000)
Calgary	900	288,471	232,042	36,285	26,258	46,402
Edmonton	729	273,567	220,263	35,588	31,854	49,570
Fort McMurray	180	9,835	7,593	1,796	2,714	3,160
Grande Prairie	181	13,584	10,169	2,682	4,323	5,056
Lethbridge	180	14,885	12,221	2,169	3,246	3,741
Medicine Hat	179	9,226	7,269	1,748	2,983	3,192
Red Deer	360	19,775	15,112	3,941	4,945	5,667
St. Albert	182	10,804	8,225	1,967	4,011	4,623
Other Locations	2	285	209	64	0	12
	2,893	640,432	513,103	86,240	80,334	121,423

Pull-tickets

	Licences	Units Sold	Total Gross ($000)	Prizes/ Winnings ($000)	Expenses ($000)	Net Proceeds to Charity ($000)	% of Gross
Fiscal 2002/2003							
Calgary	65	5,732	11,404	8,436	734	2,234	19.6
Edmonton	84	3,354	5,335	3,886	304	1,145	21.5
All Other Locations	471	15,728	25,399	18,818	1,562	5,019	19.8
	620	24,814	42,138	31,140	2,600	8,398	19.9
Fiscal 2001/2002							
Calgary	107	7,984	14,491	10,747	859	2,885	19.9
Edmonton	61	3,576	6,272	4,663	330	1,279	20.4
All Other Locations	551	18,125	27,993	20,822	1,571	5,600	20.0
	719	29,685	48,756	36,232	2,760	9,764	20.0
Fiscal 2000/2001							
Calgary	68	5,551	9,960	7,450	462	2,048	20.6
Edmonton	48	3,059	4,920	3,706	215	999	20.3
All Other Locations	495	17,471	26,051	19,502	1,244	5,305	20.4
	611	26,081	40,931	30,658	1,921	8,352	20.4

Fiscal 2002/2003 by Major Centre

	Licences	Units Sold	Total Gross ($000)	Prizes/ Winnings ($000)	Expenses	Net Proceeds to Charity ($000)
Calgary	65	5,732	11,404	8,436	734	2,234
Edmonton	84	3,354	5,335	3,886	304	1,145
Fort McMurray	9	824	1,384	1,012	101	271
Grande Prairie	4	163	270	200	16	54
Lethbridge	7	738	1,259	937	86	236
Medicine Hat	12	1,144	2,611	1,973	167	471
Red Deer	14	1,269	2,473	1,806	175	492
St. Albert	12	370	499	357	35	107
Other Locations	413	11,220	16,903	12,533	982	3,388
	620	24,814	42,138	31,140	2,600	8,398

Raffles (1)

	Licences	Total Gross ($000)	Prizes/ Winnings ($000)	Expenses ($000)	Net Proceeds to Charity ($000)	% of Gross
Fiscal 2002/2003						
Calgary	61	29,660	13,679	6,988	8,993	30.3
Edmonton	68	47,431	19,336	11,398	16,697	35.2
All Other Locations	159	12,228	6,306	1,927	3,995	32.7
	288	89,319	39,321	20,313	29,685	33.2
Fiscal 2001/2002						
Calgary	59	32,338	14,516	7,735	10,087	31.2
Edmonton	69	34,507	14,948	8,240	11,319	32.8
All Other Locations	152	11,051	5,072	1,842	4,137	37.4
	280	77,896	34,536	17,817	25,543	32.8
Fiscal 2000/2001						
Calgary	62	31,921	14,268	7,780	9,873	30.9
Edmonton	74	34,726	15,120	8,345	11,261	32.4
All Other Locations	159	11,262	5,079	1,878	4,305	38.2
	295	77,909	34,467	18,003	25,439	32.7

Fiscal 2002/2003 by Major Centre

	Licences	Total Gross ($000)	Prizes/ Winnings ($000)	Expenses ($000)	Net Proceeds to Charity ($000)
Calgary	61	29,660	13,679	6,988	8,993
Edmonton	68	47,431	19,336	11,398	16,697
Fort McMurray	3	1,005	561	113	331
Grande Prairie	5	1,999	1,047	345	607
Lethbridge	9	1,274	759	204	311
Medicine Hat	11	909	472	153	284
Red Deer	15	2,725	1,221	632	872
Other Locations	116	4,316	2,246	480	1,590
	288	89,319	39,321	20,313	29,685

(1) Does not include raffles under $10,000.

Schedule of Licence Fees

	LICENCE FEE
BINGOS	
At licensed bingo facility	$30 per event
Not at licensed bingo facility	
Events with yearly sales of $150,000 or less	NIL
Events with yearly sales over $150,000	$30 per event
CASINOS	
Not at fairs or exhibitions	$15 per table per day
At fairs or exhibitions	$35 per table per day
PULL-TICKETS	$10 per set of sealed, boxed or bagged pull-tickets
RAFFLES	
Raffles more than $10,000 and less than $100,000	$150
Raffles more than $100,000 and less than $1,000,000	$500
Raffles $1,000,000 or more	$1,000
Raffle authorizing lottery scheme that involves prize bonds	$10,000
CASINO FACILITIES	
Operating six or seven days per week	$500
Operating less than six days per week	$100

Licence Fees Collected

	Bingos ($000)	Casinos ($000)	Pull-tickets ($000)	Raffles ($000)	Casino Facilities ($000)	Total Fees Collected ($000)
2002/2003	1,105	1,512	281	91	10	2,999
2001/2002	1,117	1,461	321	101	8	3,008
2000/2001	1,205	1,465	305	86	8	3,069

Licensing Information

To obtain more information about the requirements for gaming licences, contact your nearest office of the Regulatory Division, Alberta Gaming and Liquor Commission:

St. Albert	50 Corriveau Avenue St. Albert, AB T8N 3T5 Tel: (780) 447-8600 or 1-800-272-8876
Calgary	110, 6715 - 8 Street NE Calgary, AB T2E 7H7 Tel: (403) 292-7300 or 1-800-372-9518
Lethbridge	3103 - 12 Avenue N Lethbridge, AB T1H 5P7 Tel: (403) 331-6500 (Dial 310-0000 for toll-free access)
Red Deer	13, 7895 - 49 Avenue Red Deer, AB T4P 2B4 Tel: (403) 314-2656 (Dial 310-0000 for toll-free access)
Grande Prairie	10020 - 124 Ave Grande Prairie, AB T8V 5L7 Tel: (780) 832-3000 (Dial 310-0000 for toll-free access)

Contact Information

For more information on charitable gaming, eligibility, or use of proceeds, please contact the following:

Alain Maisonneuve, Director – Licensing and Charitable Gaming
Phone: (780) 447-8600 (Dial 310-0000 for toll-free access)
Fax: (780) 447-8917
E-Mail: alain.maisonneuve@aglc.gov.ab.ca

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E-Mail: lorraine.lien@aglc.gov.ab.ca

Leslie Williams, Licensing Supervisor
Phone: (780) 447-8720 (Dial 310-0000 for toll-free access)
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E-Mail: leslie.williams@aglc.gov.ab.ca

Jill Scriven, Licensing Supervisor
Phone: (780) 447-8782 (Dial 310-0000 for toll-free access)
Fax: (780) 447-8911
E-Mail: jill.scriven@aglc.gov.ab.ca

Gaming Licensing general E-Mail: gaming.licensing@aglc.gov.ab.ca

Financial Review general E-Mail: financialreview2@aglc.gov.ab.ca

Charitable gaming licensing forms are available on the Alberta Gaming and Liquor Commission Web site at: www.aglc.gov.ab.ca

For more information on Charitable Gaming in Alberta, please contact:

Communications
Alberta Gaming and Liquor Commission
50 Corriveau Avenue
St. Albert, AB T8N 3T5
Phone: (780) 447-8740 (Dial 310-0000 for toll-free access)
Fax: (780) 447-8931

This and other related reports may be viewed on the Alberta Gaming and Liquor Commission Web site at: www.aglc.gov.ab.ca

Alberta Advantage

Alberta
GAMING AND LIQUOR
COMMISSION

Alberta Gaming and Liquor Commission

2002-2003 ANNUAL REPORT

Protecting the integrity of Alberta's gaming and liquor industries.

Alberta Advantage

ALBERTA LOTTERY FUND

Alberta GAMING AND LIQUOR COMMISSION

Year at a Glance 2002-2003

	2002-2003	
Liquor Revenue ($ millions)	**535**	**492**
Liquor Licences by Class		
Class A	5,131	5,137
Class B	506	506
Class C	763	769
Class D	1,619	1,580
Class E	16	16
	8,035	**8,008**
Liquor Retail Outlets		
Private retail liquor stores	910	863
General merchandise	86	81
	996	**944**
Liquor Products Available	**11,138**	**10,300**
Liquor Sales by Volume (hectolitres)		
Spirits	189,985	199,560
Wine	204,090	198,381
Coolers/Cider	140,490	139,088
Beer	2,229,580	2,234,661
	2,764,145	**2,771,690**

	2002-2003	
Provincial Lotteries Revenue ($ millions)		
VLTs	594	617
Slot machines	405	322
Ticket lottery	175	166
	1,174	**1,105**

	2002-2003			
Charitable Gaming Licences Issued and Net Proceeds	**Number**	**Net proceeds ($ millions)**	**Number**	**Net proceeds ($ millions)**
Bingo	1,577	46	1,418	50
Casino	2,923	122	2,673	114
Pull-ticket	371	8	258	10
Raffle	317	30	331	26
	5,188	**206**	**4,680**	**200**
Gaming Venues				
Bingo association halls	56		57	
Charitable casino facilities	16		16	
Ticket lottery centres	2,111		2,060	
Locations with VLTs	1,179		1,272	
Racing Entertainment Centres	2		2	

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Message from the Chairman and CEO

Throughout the past year, the Commission focused on ensuring that gaming and liquor activities in the province continued to be delivered with integrity and in a socially responsible manner. The work of the Commission in this regard takes into account the continued growth and evolution of the gaming and liquor industries in the province over the past decade.

In 2002-2003, the Commission implemented significant new and forward-looking gaming licensing policies and updated and implemented liquor policies with the input of stakeholders. The interests of stakeholders are balanced with the public interest, which is paramount in our process of gaming and liquor policy development.

Albertans want the choice to consume liquor or to gamble. They also expect gaming and liquor activities to be delivered in a socially responsible manner. Social responsibility is shared among all the key players, which includes the government, stakeholders and those who choose to consume alcohol or to gamble. In this regard, the Commission works closely with stakeholders to build upon existing social responsibility programs of information, education and prevention.

Our compliance activities help to ensure that those who provide gaming entertainment or who sell or serve liquor do so within legislation, regulation and policies. Compliance activities include inspections, investigations and clear communications with licensees about their responsibilities. These contribute to the integrity of the gaming and liquor industries of the province.

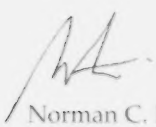
In August 2002, the Commission marked the tenth anniversary of video lottery terminal (VLTs) operations. The revenues from these and other gaming operations have provided significant benefits to communities throughout the province over the past decade.

The province will mark the tenth anniversary of the privatization of liquor retailing, warehousing and distribution in September 2003. The success of the province's private liquor retail model attests to the commitment and integrity of private entrepreneurs in Alberta. The Commission is committed to this retail model for liquor retailing.

Results from our performance measures in 2002-2003 indicate the Commission provides a high level of service to the public and stakeholders. Our employees are to be credited for their professionalism and dedication to the core businesses, goals and targets of the Commission. Their commitment is key to the success we have achieved, and I thank them for their tremendous achievements.

I also extend my gratitude to the Board members, who have worked diligently to fulfill our obligations in the public interest. I thank them for their efforts, continued dedication, and invaluable contributions.

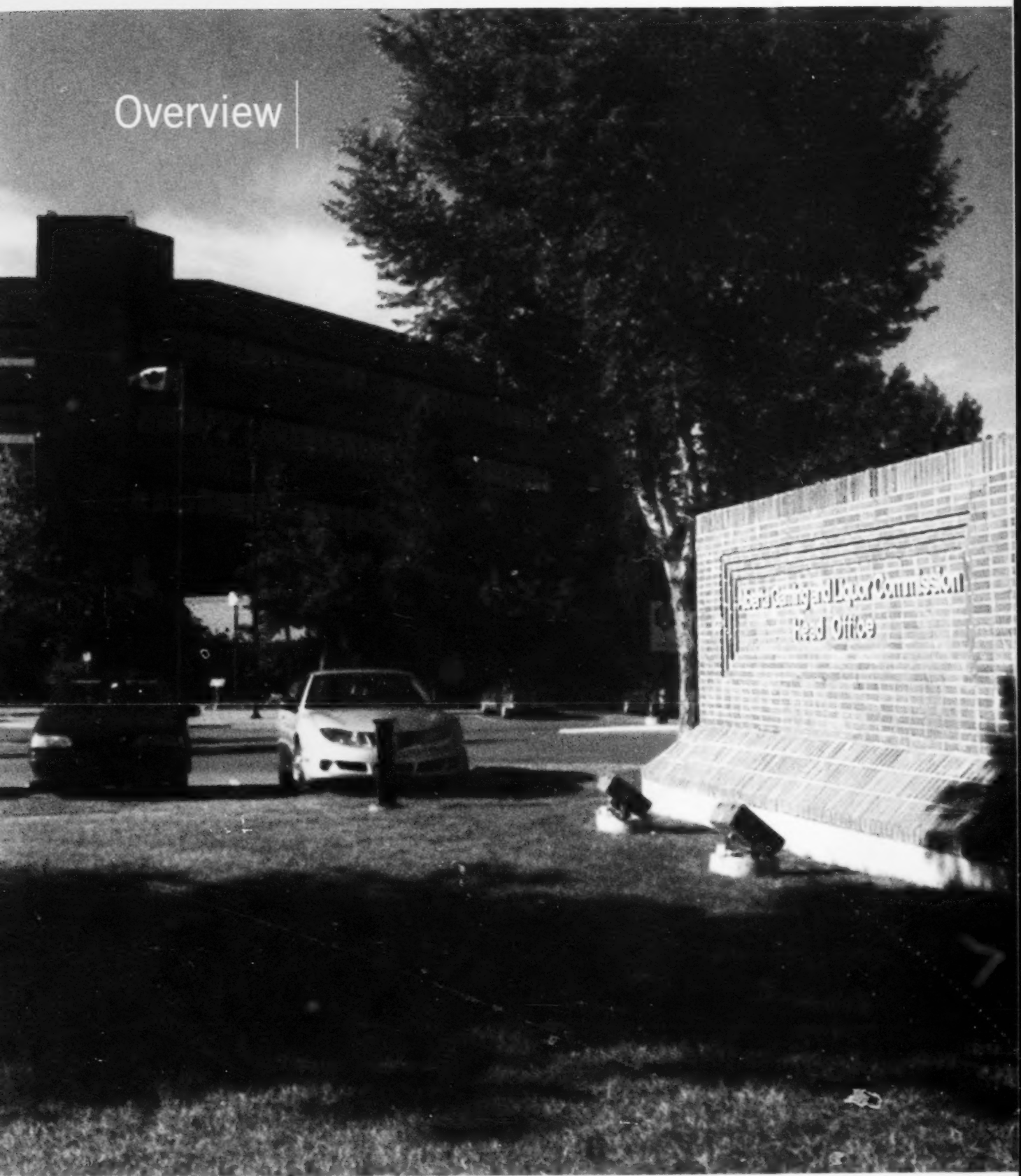
Our challenges in the future are to keep abreast of the changes and trends in the gaming industry, to be proactive in addressing issues, and to work with stakeholders in examining how to improve programs for the socially responsible delivery of gaming and liquor activities.



Norman C. Peterson
Chairman and Chief Executive Officer

ALBERTA LOTTERY FUND

Overview



ALBERTA LOTTERY FUND

Organizational Profile

The Alberta Gaming and Liquor Commission is a commercial enterprise and an agent of the Government of Alberta. The Commission consists of a Board and a Corporation. The Board is responsible for policy and regulatory matters. The Corporation consists of administrative and operational divisions responsible for the day-to-day functioning of the organization.

The responsibilities of the Board are set out in section 12 of the *Gaming and Liquor Act*, and include:

- Ensuring the operations of the Commission are appropriately carried out in accordance with legislation and Board policies.
- Establishing policies for the operations of the Commission. The Board also takes policy direction from the Minister and develops strategies and plans to effectively implement this policy direction.
- Reviewing and approving liquor and gaming licences and registrations.
- Conducting hearings into matters involving licences, registrations and breaches of legislation.
- Any functions assigned to it under any enactment.

Members of the Board at March 31, 2003 were:

- Norman C. Peterson, Chairman
- Douglas Fulford, Board Member and Deputy Chairman
- Edward Gaudet, Board Member
- Patricia Whiting, Board Member
- A.M. (Sandy) Dougall, Board Member
- George Russill, Board Member
- Alexander (Al) Evans, Board Member

The number of Board members increased to seven from five in 2002-2003. The increased membership will increase the effectiveness of the Board and will allow broader representation from throughout Alberta. During the year, the Board began to alternate its monthly meetings between St. Albert and Calgary to provide more convenient access for licensees throughout the province who are required to appear before the Board.

VISION

The Commission, as an agent of the Government of Alberta, works to achieve the vision of the Ministry of Gaming. This vision is to strive to balance choice and responsibility in the province's gaming and liquor industries, use revenues derived from these activities for the benefit of Albertans, and provide opportunity for competition and enhanced service in its liquor and gaming industries.

MISSION

The mission of the Commission is to ensure that gaming and liquor activities in Alberta are conducted with integrity and social responsibility, and to maximize long-term economic benefits for Albertans.

GUIDING PRINCIPLES

The Alberta Gaming and Liquor Commission has adopted the following guiding principles for gaming and liquor in Alberta. These guiding principles were initially and formally adopted by the government and applied to gaming activities, following from the Gaming Licensing Policy Review. The principles were expanded by the Ministry of Gaming to also apply to liquor activities. The guiding principles are subject to ongoing review, to ensure they continue to reflect Albertans' values.

1. The integrity of gaming and liquor activities will be ensured.
2. Gaming and liquor policies will reflect a commitment to social responsibility.
3. Gaming and liquor policies will be supported by sound research and consultation with the public and stakeholders.
4. The collection and use of gaming and liquor revenue will be open and accountable.
5. Gaming activities will meet standards of quality to protect the integrity of gaming activities, provide gaming entertainment value to consumers and help to keep gaming dollars in Alberta.
6. Alberta's liquor industry will continue to be among the most progressive and competitive in the country and continue to lead the nation in terms of supply, distribution, pricing and customer service.
7. The financial return to eligible groups from charitable gaming and from provincial lotteries is to be maximized for the benefit of Albertans.

ALBERTA LOTTERY FUND

VALUES

The Commission is committed to operating according to the following values. It will:

- act with integrity and in a fair and impartial manner;
- strive to balance social and economic responsibilities to the people of Alberta;
- foster clear, open and courteous communications and consult with stakeholders;
- achieve excellence in customer service;
- nurture a working environment that is characterized by teamwork, collaboration, and open communication;
- be an innovative and adaptable organization that focuses on continuous improvement in the quality, effectiveness, and efficiency of our products, services and business processes; and
- be responsible stewards of assets entrusted to us, maintaining our accountability to the Province of Alberta.

CORE BUSINESSES

The core businesses of the Commission are:

1. License and regulate liquor activities.
2. License and regulate charitable gaming activities.
3. Conduct and manage provincial gaming activities – video lottery terminals, slot machines and lottery ticket sales.

These core businesses are established in accordance with the *Gaming and Liquor Act* (Alberta), *Criminal Code* (Canada), and within the policy framework established by the provincial government.

Organization Chart

March 31, 2003

Minister of Gaming
Honourable Ron Stevens, QC

Alberta Gaming and Liquor Commission Board

Chairman
Norman C. Peterson

Chief Executive Officer
Norman C. Peterson

Regulatory
Executive Director
John LaFlamme

Director, Inspections
Gerry McLennan

Director, Licensing and Charitable Gaming
Alain Maisonneuve

Director, Investigations
Brian Jones

Director, Forensic Audit
Gill Hermanns

Gaming Products and Services
Executive Director
Muriel Grimble

Director, Products
Jeff Wyton

Director, Technical Services
Gord Matthew

Director, Retail Networks
Kent Verlik

Manager, Consumer / Retailer Relations
Pat Sheptycki

Information Systems
Executive Director
Brenda Breen

Manager, Application Development
Laddie Bleha

Manager, Operations
Doug Merrick

Manager, Network
Greg Masik

Finance and Administration
Executive Director
Ron Crosby

Manager, Financial Reporting and Payments
Barry Worth

Manager, External Warehouse Administration and Audit
Fran Spenrath

Manager, Property
Rick Pysyk

Manager, Information Security
Jean-Claude Mercier

Manager, Revenue and Banking
Karin Andreschefski

Manager, Purchasing Product and Pricing
Susan Duffy

Human Resources
Director
Karen Egan

ALBERTA LOTTERY FUND

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Jeff Wyton

Director, Technical Services
Carol Matthew

Director, Retail Networks
Kent Yerlik

Manager, Casinos/Retailer Relations
Pat Shepreel

Information Systems
Executive Director
Brenda Breen

Manager, Application Development
Eddie Bieba

Manager, Operations
Doug Merrick

Manager, Network
Greg Melnik

Finance and Administration
Executive Director
Ron Crosby

Manager, Financial Reporting and Payments
Barry Wyatt

Manager, External Warehouse Administration and Audit
Fran Sperounis

Manager, Property
Rick Pysyk

Manager, Information Security
Jean-Claude Mercier

Manager, Revenue and Banking
Karin Andreschuk

Manager, Purchasing, Distribution and Printing
Susan Duffy

Human Resources
Director
Karen Egan

ALBERTA

Operational Overview

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Responsible for the overall operations of the Alberta Gaming and Liquor Commission and also serves as Chairman of the Board.

Contact: Norman C. Peterson
Phone: (780) 447-8601
Fax: (780) 447-8950
E-mail: norm.peterson@aglc.gov.ab.ca

REGULATORY

Licenses and regulates liquor premises and gaming facilities, and charitable gaming activities. Registers liquor agencies, liquor representatives and gaming workers. Provides specialized enforcement in the areas of liquor, gaming and tobacco. Conducts due diligence investigations, performs and coordinates criminal investigations, forensic audits, and confirms eligibility for facility licence applicants and gaming suppliers.

Contact: John LaFlamme
Phone: (780) 447-8705
Fax: (780) 447-7505
E-mail: john.laflamme@aglc.gov.ab.ca

GAMING PRODUCTS AND SERVICES

Provides retailer and consumer services, hotline and technical support service to retailers, account services, retail network planning, and product planning and information for all provincial gaming activities, including video lottery terminals, slot machines and ticket lottery terminals.

Contact: Muriel Grimble
Phone: (780) 447-8783
Fax: (780) 447-8929
E-mail: muriel.grimble@aglc.gov.ab.ca

INFORMATION SYSTEMS

Provides all information and communication technology services to the Commission and Department of Gaming, including the operation and support of the video and slot central systems, application development and support, local and wide area networks, telecommunications and data centre operations.

Contact: Brenda Breen
Phone: (780) 447-8615
Fax: (780) 447-8920
E-mail: brenda.breen@aglc.gov.ab.ca

FINANCE AND ADMINISTRATION

Provides services related to business planning, financial and business administration and liquor warehouse administration.

Contact: Ron Crosby
Phone: (780) 447-8659
Fax: (780) 447-8907
E-mail: ron.crosby@aglc.gov.ab.ca

HUMAN RESOURCES

Provides human resource programs and services to the Commission, including recruitment, performance management, benefit administration, continuous learning and employee recognition.

Contact: Karen Egan
Phone: (780) 447-8717
Fax: (780) 447-8918
E-mail: karen.egan@aglc.gov.ab.ca

ALBERTA LOTTERY FUND

Stakeholders

Stakeholders include organizations and businesses directly involved in the liquor or gaming industries, and individuals or groups affected by or interested in the activities of these industries. Each year the Commission works and consults with stakeholders on a range of issues and policy matters. In 2002-2003, consultations were held on the following subjects:

SUBJECT	STAKEHOLDERS CONSULTED	TIMEFRAME
Bingo Point of Sales Procurement and Functionality	Federation of Alberta Bingo Association	Apr. 2002 - Mar. 2003
Bingo Technical Policy Issues	Technical Review Committee, Federation of Alberta Bingo Associations	Four regular meetings held in 2002-2003
Bingo Terms & Conditions and Operating Guidelines (updated, revised draft)	Bingo industry, including individual bingo associations	Jan. 7 to Apr. 30, 2003
Bi-Annual Casino Operators' Meetings	Casino operators	Apr. and Nov. 2002
Child Abandonment Policy – Gaming Facilities	Casino industry, bingo industry, other gaming jurisdictions, enforcement agencies, and Alberta Children's Services	Finalized Nov. 2002
Liquor Mark-up and Related Issues	Liquor industry stakeholders	Sept. 2002 to Feb. 2003
Review of Charitable Gaming Licensing Eligibility and Use of Proceeds	Charitable groups and non-profit groups	Aug. to Oct. 2002
Occupant Loads, Patio Extensions and Caterer's Extensions	Liquor industry and police services	Jan. to Feb. 2003
REC Terms & Conditions and Operating Guidelines	Horse racing industry	Aug. 22 to Oct. 15, 2002
Responsible Gaming Program	Alberta Alcohol and Drug Abuse Commission (AADAC)	Jun. and Sept. 2002, Jan. and Mar. 2003
Restriction, Allocation and Private Label Consultation	Liquor industry	Sept. to Dec. 2002
VLT – New Terminal Launch	Alberta Hotel and Lodging Association, Alberta Restaurant and Foodservices Association, Alberta Gaming Industry Association	Mar. and Apr. 2003

PUBLIC AT LARGE

The Commission is committed to being accountable and transparent to the public in its activities. It takes into account the views and needs of Albertans when it develops gaming and liquor policies. The Commission disseminates information to, and responds to questions from, the public about gaming and liquor revenue, policy, and the process to become involved in the gaming and liquor industries. Its Web site at www.aglc.gov.ab.ca provides up-to-date information, including new information on the eight-step casino facility licensing process and the status of casino and racing entertainment centre applications in the province. The Web site is continually checked for its ease of use by the public and regularly reviewed to improve/update its content.

CHARITIES

Each year, thousands of charitable organizations obtain gaming licences from the Commission to conduct casino table games, paper bingo, raffles and pull-ticket sales. In addition, thousands of charitable and non-profit community projects are funded through the Alberta Lottery Fund. The Commission values the views of charitable organizations in developing gaming policies that affect them.

GAMING INDUSTRY

Gaming industry stakeholders include operators of gaming facilities and retailers involved with gaming activities. Many industry stakeholders are represented by industry associations such as the Federation of Alberta Bingo Associations, the Bingo Hall Managers Association of Alberta, the Registered Casino Advisors Association, the Alberta Hotel and Lodging Association, the Alberta Restaurant & Foodservices Association, and the Alberta Gaming Industry Association. Other important gaming industry stakeholders are the Western Canada Lottery Corporation, and members of the horse racing industry, including racing entertainment centre operators and Horse Racing Alberta.

MUNICIPALITIES/POLICE

Municipalities and police agencies are key stakeholders in the gaming and liquor industries. Commission staff regularly meet or consult with municipal officials who grant local permits or licences to businesses that intend to operate liquor or gaming facilities. The staff work closely with the RCMP and other police services in Alberta on enforcement matters related to criminal activities, and liquor, gaming, and tobacco tax violations. This working relationship has helped successfully conclude investigations of common concern. The Gaming Investigation Team is an example of the partnership between the Commission and police agencies.

LIQUOR INDUSTRY

Liquor retailers, suppliers and warehouse operators are stakeholders. Representative organizations in the liquor industry include the Alberta Liquor Store Association, the Alberta Hotel and Lodging Association, the Alberta Restaurant & Foodservices Association, the Beverage Alcohol Importers Advisory Council of Alberta, the Association of Canadian Distillers, the Canadian Wine Institute, and the Western Brewers Association.

The Commission regularly attends and participates in meetings of the Alberta Liquor Industry Roundtable, a forum for industry members to discuss issues facing the liquor industry in Alberta. Members of the roundtable include organizations from all areas of the liquor industry.

The Commission is also a member of the Canadian Association of Liquor Jurisdictions, which shares information and addresses matters of common concern among the liquor jurisdictions across the country.

ALBERTA ALCOHOL AND DRUG ABUSE COMMISSION (AADAC)

The Commission works closely with AADAC on social responsibility programs and activities related to liquor and gaming. These include, among other programs, the Responsible Gaming Program that includes mandatory responsible gaming awareness training for VLT retailers and casino operators; and the distribution of booklets and pamphlets about alcohol, drugs and gambling addiction awareness.

ALBERTA LOTTERY FUND

Five Year Financial Summary

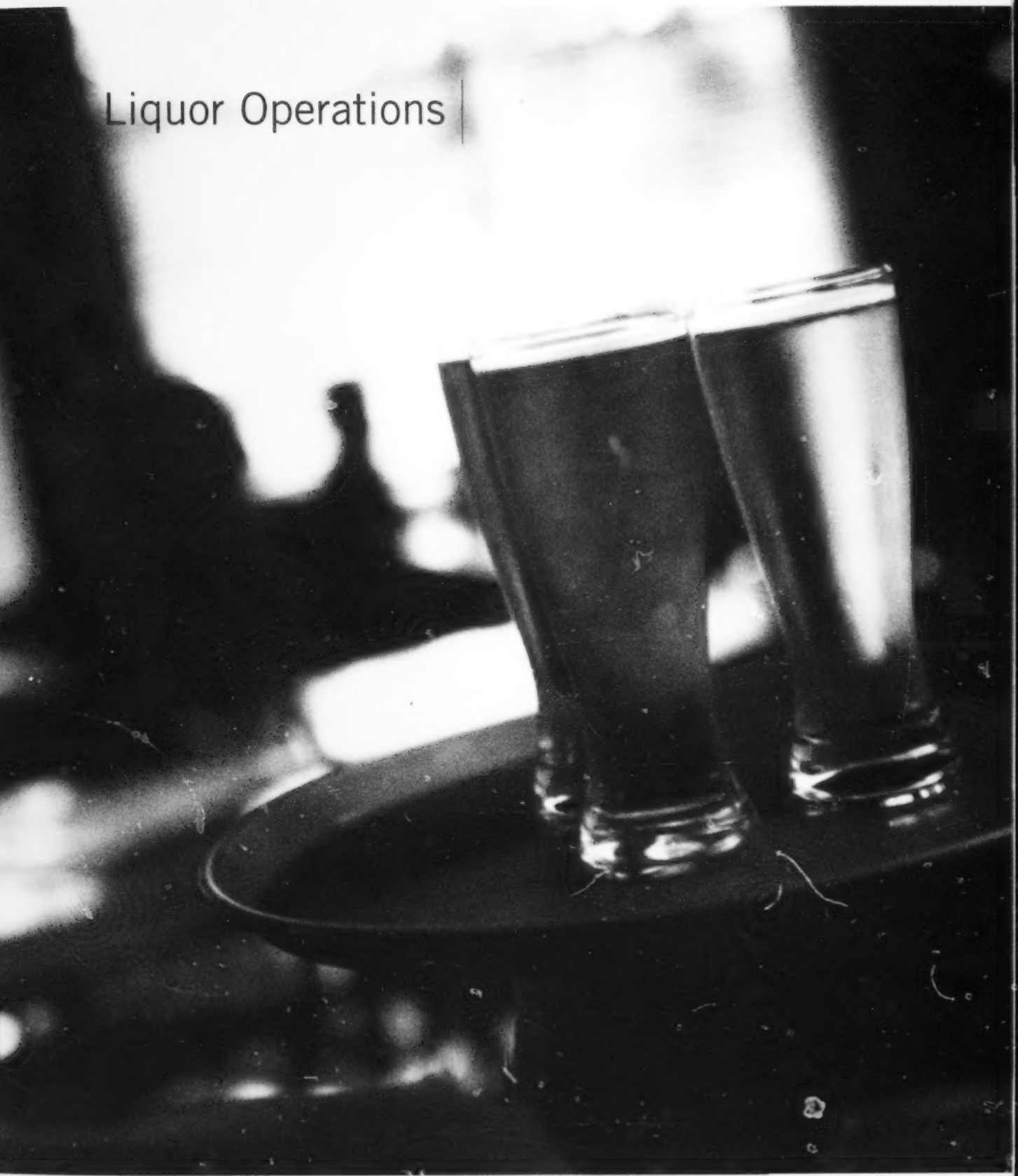
The net income of the Alberta Gaming and Liquor Commission in 2002-2003 was $1.6 billion. A summary of gross sales and profits from the Commission's operations is as follows:

($ millions)	**2003**	2002	2001	2000	1999
Gross Sales	**18,328**	16,963	14,913	12,825	11,179
Gross Profit					
Liquor	**535**	492	468	456	467
VLTs	**594**	617	575	525	507
Slot machines	**405**	322	252	174	112
Ticket lottery	**175**	166	161	156	151
Other	**14**	15	13	15	18
Operating Costs	**(99)**	(83)	(70)	(69)	(63)
Net Income	**1,624**	1,529	1,399	1,257	1,192

The Commission is responsible for administering the charitable gaming model in Alberta. Other than licensing fees to cover the Commission's cost of administering and regulating this model, all proceeds from charitable gaming activities go directly to the charity to be used for charitable or religious purposes, as required under the provisions of the *Criminal Code* (Canada). A summary of the returns to charities under this model is as follows:

($ millions)	**2003**	2002	2001	2000	1999
Bingo	**46**	50	51	55	59
Casino	**122**	114	99	77	58
Raffle	**30**	26	25	24	22
Pull-ticket	**8**	10	8	9	9
	206	200	183	165	148

Liquor Operations



ALBERTA
LOTTERY FUND

Liquor Operations

The Commission regulates the liquor industry in Alberta. It issues liquor licences, and collects a provincial mark-up from the sale of liquor. The private sector warehouses and distributes liquor products, and retails these products to consumers.

		Sales 2003 ($ 000)						Sales 2002 ($ 000)
Licence Class	Licences in Effect March 31, 2003	Spirits	Wine	Coolers & Cider	Beer	Total	Licences in Effect March 31, 2002	Total
A	5,131	68,341	23,161	10,079	207,410	308,991	5,137	314,555
B	506	1,293	350	277	6,258	8,178	506	7,875
C	763	880	1,282	178	7,674	10,014	769	9,695
D	1,619	365,858	193,331	50,071	476,000	1,085,260	1,580	1,043,519
E	16	–	–	–	–	–	16	–
*	–	3,328	654	63	284	4,329	–	3,985
	8,035	439,700	218,778	60,668	697,626	1,416,772	8,008	1,379,629

* Includes duty free, diplomat, NATO, sales to other liquor boards and liquor agencies.

Class A licences are issued to hotels and other premises open to the public for the sale and consumption of liquor. Class A licences include the minors prohibited licences which apply to bars and lounges.

Class B licences are issued for the sale and consumption of liquor in premises open to those who have paid an entrance fee, purchased a ticket, or are otherwise entitled to use the facility. Examples of such premises include convention centres, race tracks, theatres and recreational facilities.

Class C licences are issued for the sale and consumption of liquor in premises restricted to members or other individuals. Examples are private clubs.

Class D licences are issued primarily to retail outlets and hotels for the sale of liquor to be consumed off the premises.

Class E licences are issued for the manufacture of liquor in Alberta and include licences for brew pubs.

PRIVATE RETAIL NETWORK

The privatization of liquor retailing in Alberta will mark its tenth anniversary in September 2003. Since privatization was announced, the retailing, warehousing and distribution operations of the former Alberta Liquor Control Board have been successfully transferred to the private sector.

There are more than 11,000 liquor products available to consumers in Alberta compared to about 3,300 liquor products prior to privatization in 1993. The province also continues to have some of the lowest liquor prices in Canada. The number of retail liquor stores has increased, providing convenience for consumers and more jobs than the government-run liquor stores which operated prior to privatization.

There were 910 retail liquor stores at March 31, 2003 compared to 863 at the end of 2001-2002. In addition, there were 86 general merchandise liquor store premises in 2002-2003. More than 500 licences were issued for general off-sales of liquor products, mainly for hotels.

DID YOU KNOW?

The Alberta Government privatized liquor retailing in September 1993. The private sector retails, warehouses and distributes liquor in Alberta.

DID YOU KNOW?

Liquor privatization has increased jobs in Alberta – currently over 4,000 full and part-time jobs compared to 1,300 before privatization.

ALBERTA LOTTERY FUND

REVIEW OF LIQUOR MARK-UP STRUCTURE

The Commission conducted a review of the liquor mark-up structure and related policies in 2002-2003. The review was the first comprehensive review of the mark-up since the privatization of liquor operations in 1993. Industry stakeholders were consulted on a range of issues identified by the liquor industry or the Commission. The recommendations subsequently developed, and which pertained to the liquor mark-up rates, were referred to the government for policy direction. A final report was issued in March 2003. Among other approved recommendations:

The purpose of the review was to update the mark-up structure and policies affecting the mark-up structure to meet the requirements of consumers, the financial needs of the Government of Alberta and the needs and requirements of stakeholders in today's liquor industry.

AGLC Review of Liquor Mark-up Structure and Related Policies Findings and Recommendations February 23, 2003

- The mark-up rate for beer products of small manufacturers/liquor suppliers, those with annual worldwide production of up to 200,000 hectolitres, will be lower than the mark-up rate for beer products of larger manufacturers/suppliers, those producing more than 200,000 hectolitres annually. This differentiation is aimed at encouraging the development of smaller brewers. In this regard, the specific recommendations that took effect March 21, 2003, are as follows:
  - Maintain the previous rate of 98 cents per litre for beer products of large manufacturers/suppliers.
  - Maintain the previous rate of 40 cents per litre for beer products of manufacturers/liquor suppliers with annual worldwide production of more than 10,000 hectolitres and up to 200,000 hectolitres (previously this rate was applied to the beer products of all small brewers).
  - Apply a reduced rate of 20 cents per litre for the beer products of brewers producing less than or equal to 10,000 hectolitres worldwide production (a decrease of 20 cents from the previous rate).

Annual worldwide production refers to total annual worldwide production of liquor, liquid products containing alcohol, and non-liquor beverages in the facility or facilities where the manufacturer or supplier is producing or obtaining its beer product.

- The Commission will analyze the rationale and impacts of manufacturers' landed costs for the products they sell in Alberta when compared to the landed cost of the same products they sell in other jurisdictions. In particular, this analysis will examine why some products sold in Alberta have significantly higher landed costs than the same

products sold in other provinces. This analysis is in the interest of maintaining the lowest possible retail price for beverage alcohol products. Landed cost refers to the manufacturer cost component of the wholesale price.

- A new category of spirits, those with 60% or more alcohol by volume, was established. These products are assessed a mark-up rate of $17.87 per litre effective March 21, 2003, compared to the previous rate of $13.30 per litre. The previous rate applied to all spirits products with more than 22% alcohol will continue to apply to products with alcohol levels between 22% and 60%. Establishing the new spirits category is a social responsibility measure, to address possible abuse of products with significantly higher levels of alcohol than most liquor products.
- The concept of small-scale winery operations in Alberta is supported in principle. A business case and appropriate supporting research from stakeholders will be considered by the Commission - working with stakeholders and Alberta Agriculture, Food and Rural Development - when developing specific policies for small-scale wineries.
- Further research will be conducted into the various implications of establishing U-vin/U-brew establishments, including the legislative, financial and social implications. Such establishments would offer services, equipment and space to customers who wish to make their own beer, wine and/or cider for personal consumption. The current regulation allows for the making of home-made beer and wine in one's residence for personal consumption.

The final review report appears on the Commission Web site at www.aglc.gov.ab.ca.

ALBERTA LOTTERY FUND

WHOLESALE PRICE

The wholesale price of liquor is the price paid by private retailers before the liquor is sold to consumers. The wholesale price comprises the manufacturer's cost, all applicable federal customs and excise duties, beverage container recycle costs, and the Commission's mark-up. The Commission collects the wholesale price from liquor retailers, and remits customs and excise duties to the federal government, the recycle costs to the appropriate recycling corporation (see under Container Return Expense in this section), and the mark-up to the province.

The mark-up rate structure and rates as of March 31, 2003 – which reflect new rates as recommended through the review of the liquor mark-up structure – are as follows:

Liquor Product Category	**$ Per Litre (March 31, 2003)**
Spirits (greater than 60% alcohol by volume)	17.87
Spirits (greater than 22% alcohol by volume and less than or equal to 60%)	13.30
Spirits (less than or equal to 22% alcohol by volume)	9.90
Wine (greater than 16% alcohol by volume)	6.10
Wine (less than or equal to 16% alcohol by volume)	3.45
Refreshment Beverage* (greater than 8% alcohol by volume and less than 16%)	4.05
Refreshment Beverage* (greater than 1% alcohol by volume and less than or equal to 8%)	1.35
Beer (common rate**)	0.98
Beer (greater than 10,000 hl and less than or equal to 200,000 hl annual worldwide production***)	0.40
Beer (less than or equal to 10,000 hl annual worldwide production***)	0.20

* Includes the former liquor product categories of ready-to-drink spirits and coolers.

** The common rate is assessed on about 92% of the volume of beer sold in Alberta.

*** "Annual worldwide production" includes the volume of all liquor products, liquids containing alcohol, and non-liquor products manufactured in the facility or facilities where the beer is produced.

D'D YOU KNOW?

Liquor revenue accounts for over two per cent of total provincial revenues.

LIQUOR SALES BY PRODUCT TYPE

The gross profits and volumes of sales by liquor product type in 2002-2003 are summarized as follows:

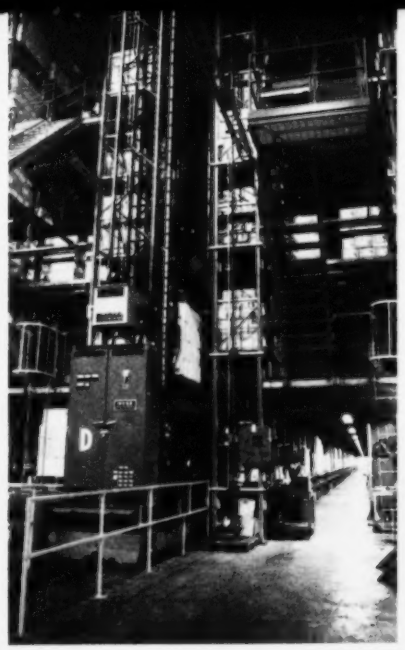
	2003			2002
	Sales	**Volumes**	**Gross Profit**	Gross Profit
	($000)	hectolitres	($000)	($000)
Spirits				
Whiskey	152,132	64,529	84,732	83,618
Vodka	99,831	46,472	61,412	60,788
Rum	77,296	33,833	44,704	44,505
Liqueurs	58,200	23,169	25,722	26,218
Gin	11,105	4,764	6,199	5,797
Others	41,136	17,218	14,264	13,271
	439,700	189,985	237,033	234,197
Wine	218,778	204,090	71,590	61,908
Coolers/Ciders	60,668	140,490	18,895	17,387
Beer				
Packaged*	616,442	1,906,696	178,466	151,531
Draft	81,184	322,884	28,564	27,531
	697,626	2,229,580	207,030	179,062
	1,416,772	2,764,145	534,548	492,554

* Includes deposit

WAREHOUSING AND DISTRIBUTION

The Board establishes the policies for the warehousing and distribution of liquor products in Alberta. The Board also authorizes companies or operators to warehouse and distribute liquor products. The Commission has a warehouse administration office at each of the warehouse locations to ensure the wholesale price is collected on all products sold in the province. The wholesale price includes the manufacturer's cost, customs and excise duties, recycle costs and the mark-up.

ALBERTA LOTTERY FUND



The Board has authorized four operators, as agents of the Commission, to warehouse and distribute liquor products in Alberta:

- Connect Logistics – operates a bonded warehouse in St. Albert to warehouse and distribute spirits, wines, coolers, ciders and beer;
- Brewers Distributor Ltd. – warehouses and distributes beer products for Molson and Labatt breweries from Edmonton and Calgary warehouses;
- Big Rock Brewery – manufactures and distributes beer from its plant/warehouse in Calgary; and
- Sleeman Breweries Ltd. – warehouses and distributes its products from a Calgary warehouse.

CONTAINER RETURN EXPENSE

Under the Beverage Container Recycling Regulation, empty beverage containers in Alberta are recovered and recycled rather than land filled. Beverage manufacturers operate the Alberta Beverage Container Recycling Corporation, which provides a common collection system to recover empty containers from the more than 200 bottle return depots located throughout the province.

The entire return and recycling system is coordinated by the Beverage Container Management Board. The Commission holds a directorship on the management board and also participates in the common collection system that deals with the recycling of all beverage containers.

The Alberta Beer Container Corporation was formed under the Beverage Container Recycling Regulation to collect and reuse or recycle all beer containers under the Beverage Container Management Board.

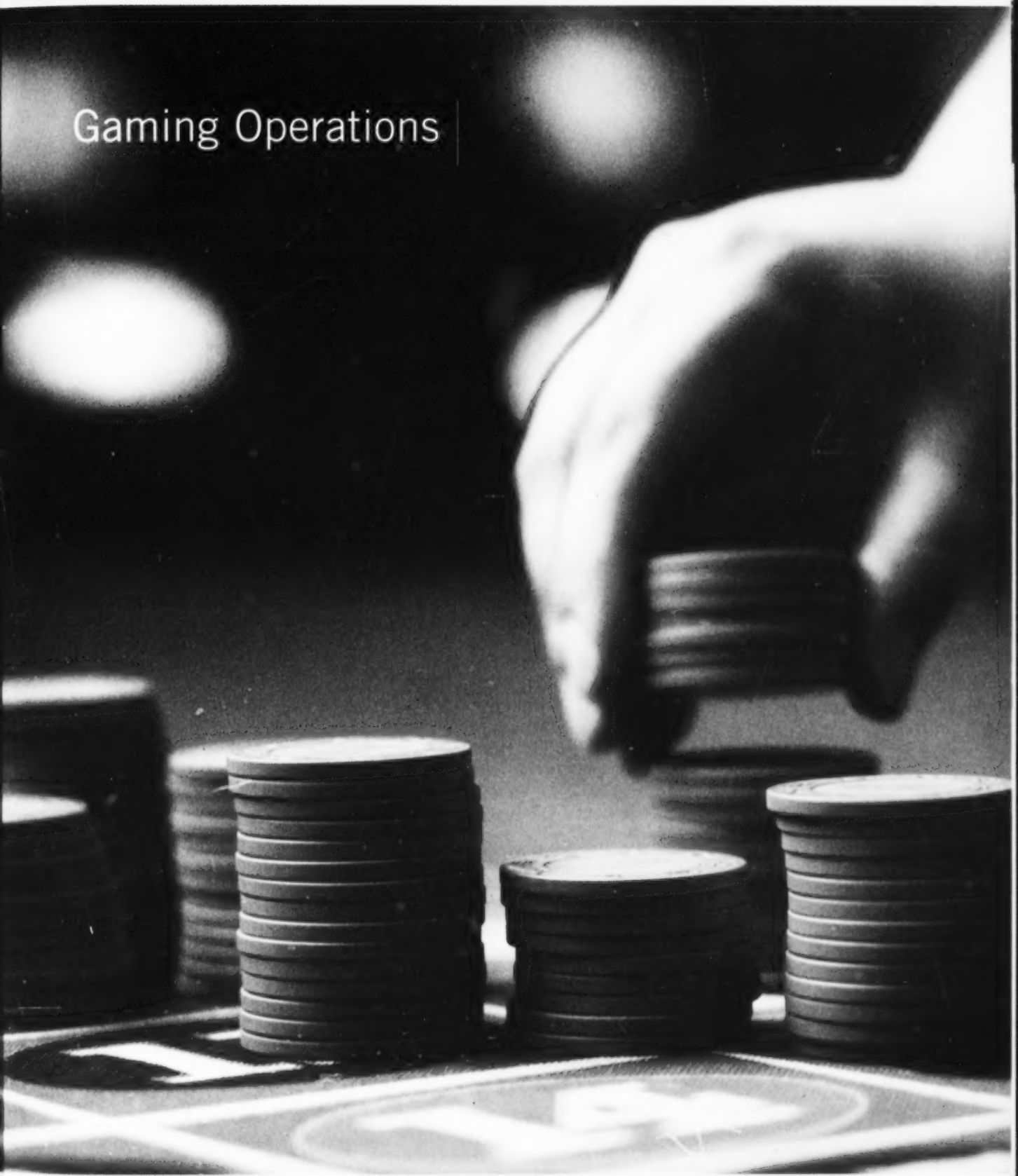
Beverage manufacturers pay to operate the return and recycling systems based on sales. Recycling costs vary based on the type of container being handled (for example, aluminum, glass, plastic and polycoat). Beverage container recycling costs are included in the Commission's wholesale price of liquor.

The Beverage Container Management Board reports that the overall return rate of liquor containers in Alberta was more than 80% of those sold in the latest fiscal year, compared to 78% in the prior year.

DID YOU KNOW?

Alberta's unique privatized liquor industry has more than 900 stores and retails over 11,000 listed liquor products.

Gaming Operations



ALBERTA LOTTERY FUND

Gaming Operations

The Commission licenses and regulates charitable gaming in Alberta, and conducts and manages provincial lotteries on behalf of the government.

Charitable gaming includes casino table games, paper bingos, raffles and pull-ticket sales conducted by eligible charitable groups that are licensed by the Commission.

Provincial lotteries refer to lottery ticket sales, slot machines, video lottery terminals (VLTs), and electronic bingo. These gaming activities are delivered to the consumer by private operators or retailers under agreement with the Commission. The Commission collects revenue from provincial lotteries for the Alberta Lottery Fund.

The integrity of gaming in the province is paramount to the Commission and its stakeholders, who include the beneficiaries of gaming revenue, players and the gaming industry. The Commission works with stakeholders to ensure games are operated fairly and according to consistently applied rules and procedures. The gaming policies and compliance activities of the Commission are aimed at ensuring the integrity and security of gaming operations.

The Commission also aims to ensure gaming activities are conducted in a socially responsible way, while providing financial returns to charitable, non-profit, public and community-based projects and initiatives throughout Alberta.

Among its other activities, the Commission:

- licenses eligible charitable organizations to hold gaming events;
- regulates gaming activities to ensure compliance;
- establishes terms and conditions for gaming activities consistent with legislation and policy requirements;
- regularly reviews and updates the policies and guidelines for gaming activities in consultation with the stakeholders affected by them;
- conducts and manages provincial lotteries including ticket lotteries, slot machines, video lottery terminals (VLTs) and electronic bingo;

DID YOU KNOW?

Gaming activities contribute to Albertans' quality of life by providing opportunities for charitable groups to raise funds directly for their valuable work, by providing entertainment options to adults in Alberta, and by providing funding used by the government to support community and volunteer initiatives.

- works with VLT retailers, casino operators and other gaming industry stakeholders to ensure the gaming activities they provide are delivered in a socially responsible manner;
- collects gaming revenue from provincial lotteries;
- operates real-time computerized systems monitoring all electronic gaming conducted in the province; and
- works closely with private retailers in maintaining efficient and effective distribution networks.

CHARITABLE GAMING

The Commission issues gaming licences to eligible charitable groups to conduct casino table games, paper bingos, raffles and pull-ticket sales. These gaming activities may only occur under licences issued by the Commission. The Commission also licenses casinos and association bingo halls in which licensed casino and bingo events, respectively, may be conducted.

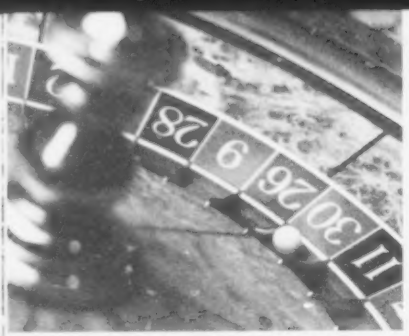
BENEFITING THE COMMUNITY

There were more than 5,000 licences issued to charitable groups to conduct charitable gaming activities in the province during 2002-2003, compared to just under 4,700 licences issued in 2001-2002. To be eligible for gaming licences, groups must deliver a program or service benefiting a significant segment of the community. The proceeds from gaming activities must be used for charitable or religious purposes as provided under the *Criminal Code* (Canada).

Charitable or religious purposes include provision of relief to the aged or disadvantaged, advancement of education and learning, and provision of help to the community. The general categories of non-profit groups eligible to obtain licences to conduct charitable gaming activities are as follows: agriculture, arts, community, education, foundation, medicine/health, multiculturalism, recreation, religious, senior citizens, service, social action, amateur sports and youth.

The charities licensed to conduct gaming activities benefit directly from the proceeds raised from the gaming activities. None of the proceeds from casino table games, paper bingos, raffles and pull-ticket gaming activities accrue to the Commission. The Commission collects only a small licence fee from these activities to cover costs related to processing the applications.

ALBERTA LOTTERY FUND



CASINO APPLICATION PROCESS

A comprehensive eight-step process was established for licensing new charitable casinos, including First Nations casinos. All the requirements must be met in each of the eight steps before any new proposed casino will be licensed. The process provides a specific opportunity for communities to express support for or against casino proposals. Others may also provide their input. The process allows for the carefully controlled and managed growth of the casino industry in Alberta and was adopted in response to a recommendation of the Gaming Licensing Policy Review.

During the year, 27 applications were submitted for traditional and First Nations casinos in the Tourism Destination Regions (TDRs) of Edmonton, Calgary, Alberta North, Alberta South, Alberta Central, and Canadian Rockies. None of the applications had proceeded through all eight steps during the fiscal year.

The status of casino applications is provided on the Commission Web site at www.aglc.gov.ab.ca.

DID YOU KNOW?

The AGLC Web site (www.aglc.gov.ab.ca) provides information on the Casino and Racing Entertainment Centre licensing process, as well as the steps involved for expansion or relocation of existing casinos.

CASINO EXPANSIONS

Two casinos were approved for expansion during the year. They were the Cash Casino in Red Deer and Great Northern Casino in Grande Prairie. There is a formal three-step process for the approval of casino expansion, which considers the input of the community and others. The Lethbridge Casino and Baccarat Casino applied to the Commission in 2002-2003 to relocate. The Commission Web site at www.aglc.gov.ab.ca gives the status of casino expansion/relocation through the three-step process.

CASINOTRACK SYSTEM

The Commission continued to implement the CasinoTrack system in casino facilities in the province in 2002-2003. The system, which automates the collection of table game data from casinos, was installed in Edmonton, Calgary and St. Albert. CasinoTrack offers real time reporting and cash flow monitoring of casino events and improves reporting accuracy. This system dramatically simplifies the reporting requirements of licensed charities holding casinos by reducing the amount of manual reporting they are required to perform.

DID YOU KNOW?

Bingo events only occur when they are conducted and managed by volunteer-based eligible charities.

REVISED BINGO TERMS & CONDITIONS AND OPERATING GUIDELINES

The Commission initiated consultations with stakeholders on a set of revised Bingo Terms & Conditions and Operating Guidelines. The terms and conditions are consistent with the government's commitment to the charitable gaming model, in which charities benefit directly from the gaming activities they are licensed to conduct.

The revisions, based on recommendations from the Gaming Licensing Policy Review, are intended to allow for greater flexibility in bingo programming and operations. They aim to give bingo the opportunity to compete with gaming activities like casinos. The proposed policies will give licensed bingo facilities the option to introduce new games such as electronic bingo and Keno, beginning in 2003-2004.

BINGO EVENT MANAGEMENT SYSTEM

The Commission introduced a new bingo event management system for licensed bingo facilities. Eventually all licensed bingo facilities will use this point of sale and event management system to automate many of the processes and controls managed manually by the bingo halls. The system will improve reporting accuracy, reduce labour requirements, simplify work for charities and bingo hall staff, and ultimately improve service to bingo customers.

The Commission procured an electronic bingo central system to provide electronic bingo games to licensed Alberta bingo facilities. The installation of DIGI bingo, or hand-held bingo units, will begin in April 2003 at the halls which choose to participate. The introduction of electronic bingo to licensed bingo facilities was one of the recommendations from the Gaming Licensing Policy Review aimed at helping charities in the bingo industry compete with other gaming activities.

As well, the testing of Keno was completed at the end of March 2003. The game will be available to be launched in licensed bingo facilities that want to offer this game in May 2003.

DID YOU KNOW?

Electronic bingo is a new way to play traditional bingo. An electronic device has the bingo card configurations in its memory. The player inputs the number that was announced by the caller, and the device will automatically mark all the corresponding numbers on the bingo cards that are being played in the device.

ALBERTA LOTTERY FUND

LEGISLATIVE CHANGES

The *Gaming and Liquor Amendment Act*, 2002 was proclaimed on June 25, 2002. The amendments, developed with stakeholder input, clarify the roles and responsibilities of licensees and the Alberta Gaming and Liquor Commission (AGLC). Amendments help to improve the AGLC's ability to conduct investigations into applicants for new gaming licensing facilities, including casinos. This is another measure to prevent those with criminal backgrounds, or who otherwise are a detriment to gaming, from becoming involved with gaming in the province.

Other amendments, for example, make it an offence for liquor or gaming facility licensees to permit an apparently intoxicated person to gamble. Another amendment provides that minors will be subject to a fine if found in a casino or racing entertainment centre; previously only facility licensees faced penalties for having minors in these facilities.

MLA REVIEW COMMITTEE ON CHARITABLE GAMING LICENSING ELIGIBILITY AND USE OF PROCEEDS

The Commission provided technical support to the MLA Review Committee on Charitable Gaming Licensing Eligibility and Use of Proceeds. The review committee consulted extensively with stakeholders on a draft set of consolidated policies dealing with eligibility criteria for gaming licences and how the proceeds from gaming may be used.

The objective of the review is to arrive at policies that are: current, specific, clear, transparent and equitable and that comply with the requirements of the *Criminal Code* (Canada), and the *Gaming and Liquor Act* and Regulation.

The draft set of policies consolidated the policies that previously existed in various separate documents, such as memorandums, bulletins, guidelines, terms and conditions, and case-by-case determinations. The draft policies also included revisions intended to address various issues identified by stakeholders or the Commission.

The final report was delivered to the Minister of Gaming in the summer of 2003 and is available on the AGLC Web site at www.aglc.gov.ab.ca

PROVINCIAL LOTTERIES

Provincial lotteries include video lottery terminals, slot machines and ticket lotteries. The government's portion of revenue from provincial lotteries, net of gaming operations costs, is deposited in the Alberta Lottery Fund.

The following table shows the number of video lottery terminals, slot machines, and ticket lottery terminals in the province at March 31, 2003.

	Number of Video Lottery Terminals	Number of Video Lottery Terminal Locations	Number of Slots	Number of Charitable Casinos and RECs*	Number of Ticket Lottery Terminals	Number of Ticket Lottery Locations
Calgary	1,262	241	1,820	5	565	555
Edmonton	1,178	222	2,808	5	513	506
Other Cities	1,136	199	1,537	7	316	314
Towns	1,651	330	-	-	486	486
Other Communities	768	187	182	1	253	250
	5,995	1,179	6,347	18	2,133	2,111

*Racing Entertainment Centres

Under the *Criminal Code* (Canada), only provincial authorities may conduct and manage electronic gaming. The Commission, as an agent of the Province of Alberta, owns and operates the two primary electronic gaming networks in Alberta: the video lottery terminal network and the casino slot network. The Commission will begin operating an electronic bingo network in 2003-2004, when DIGI bingo is introduced to bingo association halls which choose to offer this gaming activity to their customers. The Commission, in partnership with the Western Canada Lottery Corporation (WCLC), operates ticket lotteries in the province.

The locations in which provincial lotteries are offered are owned or leased by private sector operators or retailers. These operators and retailers provide space and services for the VLTs, slot machines and ticket lottery terminals under retail agreements with the Commission.

Video lottery terminals are found in bars and lounges. Slot machines are in casinos and racing entertainment centres. Ticket lottery terminals are in locations such as convenience stores and gas station chains as well as independently-operated retail outlets.

DID YOU KNOW?

The most common gaming activities are purchasing lottery and scratch and win tickets, and participating in raffles and fundraising draws.

ALBERTA LOTTERY FUND

DID YOU KNOW?

VLTs are only located in Class A Minors Restricted facilities, such as bars and lounges.

VIDEO LOTTERIES

The number of video lottery terminals in operation in Alberta is set at a maximum of 6,000, a limit that has remained in effect since 1995.

VLT retailers are key stakeholders in the delivery of gaming entertainment to Albertans. As such, VLT retailers are financially compensated through a 15% commission on their VLT net sales. The remaining 85% is returned to the Alberta Lottery Fund after the Commission's operating costs are deducted. The VLT commission rate represents reasonable compensation for the retailer's space, customer service and a return on investment. In 2002-2003, VLT retailers earned over $106 million in commissions on VLT net sales of approximately $712 million.

During 2002-2003, the Commission continued the process of reducing the number of locations with VLTs by 10% to 15% over three years, as recommended by the Gaming Licensing Policy Review. This process of reduction began in 2001-2002 and is expected to reach the target by 2004-2005. By the end of 2002-2003, the number of VLT locations had been reduced by 99 or about 7.8%, to 1,179 from 1,278 locations. This reduction is the result of the VLT allocation policy adopted in late 2001-2002 and the establishment of VLT Gaming Entertainment Rooms (VGERs). Efforts to further reduce the VLT network will continue.

VGERs may have up to 25 video lottery terminals and require higher facility standards in terms of service and security than regular bars and lounges with VLTs. Initially, eligible facilities such as hotels with two or more bars and lounges with VLTs established VGERs by consolidating all the VLTs into one bar or lounge with the higher facility standards. Other facilities with multiple bars or lounges with VLTs could choose to become regular VLT retailers by consolidating the VLTs in one room with a maximum of 10 VLTs. As of March 31, 2003, there were 37 VGERs with 625 VLTs.

DID YOU KNOW?

Replacing the province's VLTs provides an opportunity for the AGLC to take advantage of technological advances and include responsible gaming features, such as an on-screen clock, and problem gambling messages.

During the fiscal year, the Commission replaced the obsolete central system for the video lottery terminal network of the province. This replacement will ensure the continued integrity of the VLT network and allow the Commission to effectively monitor VLT activities throughout the province.

In 2001-2002, the Commission committed to replacing the aging and obsolete video lottery terminals. The replacement of these terminals will begin in May 2003.

The new terminals will incorporate responsible gaming features, including: display of amount played or earned in dollars as well as credits; a "time-interrupt" feature to interrupt play after a certain number of minutes; an on-screen banner with the AADAC problem gambling message and toll-free help line number; and a permanent clock giving the time of day. The Commission is developing a plan to evaluate the new responsible gaming features and the effectiveness of these features in helping players manage their time and money.

On April 28, 2003, the Court of Queen's Bench handed down its decision regarding a constitutional challenge of the provisions of the *Gaming and Liquor Act*. The decision to dismiss the constitutional challenge lifted the four-year old court-imposed injunction and upheld the *Gaming and Liquor Act*, which authorizes the Commission to remove VLTs from seven municipalities that voted by plebiscite to remove them. On April 29, 2003, the Commission removed 199 VLTs and terminated the Agreements with 36 retailers from the seven municipalities. The 199 VLTs were re-allocated to new and existing retailers.

SLOT MACHINES

Slot machines are located in casinos and racing entertainment centres (RECs). Licensed Casino Facility Operators and RECs receive a 15% commission on net slot machine sales as compensation for the costs for space, customer service and to provide a return on their commercial investment. A further 15% commission is paid to the charitable organizations holding the licensed events in casinos. The balance of net slot machine sales at casinos and RECs, after deducting the Commission's operating costs, are provided to the Alberta Lottery Fund.

In 2002-2003, gross sales on slot machines totaled approximately $581 million, with $88.4 million paid to the operators and about $81 million paid directly to the charities as commissions.

There was an increase of 1,042 slot machines in 2002-2003 over the previous year, to 6,347 slots machines from 5,305. This increase includes 294 leased games.

DID YOU KNOW?

The largest single slot machine prize won in Alberta was more than $713,000.

The Commission regularly updates slot games to give players a variety of play experiences. There were more than 100 theme game changes to the slot machine program during the year. As well, 455 WMS slots were changed because they were obsolete, and replaced with better performing slot machines and games.

The Commission installed the Security Track system in half of the slot machine network during the fiscal year and will install it in the balance of the slot machine network in 2003-2004. The system provides security card access to slot machines. It tracks access by casino staff, racing entertainment centre staff, and Commission technical staff who provide technical and customer services to the slot machines. The system will help to ensure the integrity of the slot network.

A new Casino Link upgrade was installed on August 27, 2002. The upgrade improved the overall stability of the slot central system and the slot machine network, and provided more features to improve the slot security monitoring such as denomination verification.

SUMMER FAIRS

DID YOU KNOW?

Alberta's first charitable casino opened at Edmonton's annual fair in 1975.

Each year the Commission approves temporary casinos at summer fairs, which may include table games and slot machines. The fairs that featured temporary licensed casinos on their exhibition grounds included the Calgary Stampede with 556 slot machines and Edmonton Klondike Days with 350 slot machines. Other major exhibitions which operated slots during the summer fair included those in Medicine Hat (100 slots), Red Deer (100 slots) and Camrose (125 slots). Grande Prairie operated 50 slots during live racing.

The slot machines at the summer fairs generated net sales of $3.4 million. Of this amount, about $952,000 was provided to the agricultural non-profit societies that held the summer fairs, and the balance was deposited in the Alberta Lottery Fund.

Photo of Mr. and Mrs. Fularon and Minister of Gaming, Honourable Ron Stevens, QC

TICKET LOTTERIES

The ticket lottery network, operated in partnership with the Western Canada Lottery Corporation, includes lottery tickets such as Lotto 6/49, Super 7, Sport Select and instant tickets. Among the retailers in the network are national corporate chains as well as independently operated retail outlets. There were 2,133 ticket lottery terminals at 2,111 locations as of March 31, 2003. The number of locations increased by 51, or by about 2.5%, from the previous year.

Ticket lottery sales increased by 8.7% in 2002-2003 to $442.6 million compared to $407.1 million the previous fiscal year. Ticket lottery commissions paid to retailers also increased to approximately $30.5 million from $27.8 million the previous fiscal year. The following table is a summary of ticket lottery sales in 2002-2003 compared to sales in 2001-2002. The sale of Lotto 6/49 tickets comprises 28% of total ticket sales.

($ thousands)	2003	2002
Lotto 6/49	124,058	135,466
Instant	87,994	95,519
Super 7	83,480	46,342
The Plus	42,451	43,609
Sport Select	41,831	37,422
Western 6/49	22,056	21,129
Extra	20,113	11,956
Pick 3	9,753	8,923
Breakaway to Win	8,047	3,693
Special Event	2,826	3,065
	442,609	407,124

DID YOU KNOW?

In 2002, Lotto 6/49 celebrated its 20th Anniversary with the largest live jackpot prize awarded in Canada. Esperlita Fularon of Calgary was the lucky winner of $6.49 million.

ALBERTA LOTTERY FUND

The largest change in fiscal 2002-2003 was the increase in Super 7 sales, from $46.3 million the previous fiscal to about $83.5 million, a 45% increase. Factors influencing this increase included the $38 million Super 7 Jackpot in May, 2002 which is the largest Jackpot in Canadian history. The number of bonus draws held in this fiscal year increased to 14 from four the previous fiscal year. The Super 7 jackpot also increased in increments of $2.5 million compared to the $1.5 million the previous year. This strategy was implemented to allow the Super 7 jackpot to grow at a faster pace, thereby stimulating sales.

However, as Super 7 had the largest sales growth in its history, Lotto 6/49 continued on its downward trend. Lotto 6/49, the flagship of Canadian lotteries, has been trending downward over the past four years in all Canadian lottery jurisdictions. The success of Super 7 may also have had an impact on Lotto 6/49 sales. Instant ticket sales were also down by about 8% in 2002-2003. There has also been a downward trend in Scratch 'N Win tickets over the past three years.

Improvements to the gaming system technology were a focus this year in the ticket lottery network. The terminal printers were upgraded with thermal paper printers, increased memory and replacement power supplies and CPU batteries, costing approximately $3 million. This strategy has extended the life of the Spectra II terminals by about five years, improved retailer operating efficiency with faster printing and lengthened the mean time between failure for the printers by at least 50%.

A second version of the NHL lottery ticket, Breakaway to Win, was introduced in October 2002 as a $10 ticket earning a total of over $2.1 million to be split by Alberta's two NHL teams. A third $5 ticket called Three Star Selection was introduced in February 2003. It is expected to bring in approximately $1.4 million in total for the two teams. Albertans have a choice to buy these tickets in support of the Edmonton Oilers and Calgary Flames hockey clubs. The two hockey clubs are responsible for all marketing and advertising costs.

RACING ENTERTAINMENT CENTRES

Amendments to the Gaming and Liquor Regulation provide that racing entertainment centre (RECs) facilities must be licensed by the Commission. RECs are gaming facilities with slot machines adjacent to race tracks offering live horse racing. Previously, RECs were operated strictly under an agreement between the race track operator and Commission.

The specific terms and conditions for the licensing, operation and facility requirements of RECs were developed in consultation with stakeholders in November 2002.

The Commission installed an additional 238 slot machines at the REC at Edmonton Northlands (to 500 slot machines) in August 2002 and an additional 37 at the REC at Whoop-up Downs in Lethbridge (to 99 slot machines) in October 2002.

A portion of the net proceeds from REC slot machines goes through the Alberta Lottery Fund and provides funds for the horse breeding and racing industry. The balance of the slot machine revenue provides benefits to community initiatives through other Alberta Lottery Fund allocations.

DID YOU KNOW?

Northlands Park is Edmonton's second largest tourism attraction and host to 3.5 million guests each year, many of which attend horse racing events.

RESEARCH INTO INTERNET GAMING

The Commission, working in cooperation with the Western Canada Lottery Corporation and the Interprovincial Lottery Corporation is monitoring and researching Internet gaming activities. While Alberta has no immediate plans to offer lottery products or other gaming products on the Internet, it is recognized that Internet and e-commerce have become facts of life. Albertans will be consulted before determining public policy on distributing gaming products through the Internet.

AUDITOR GENERAL RECOMMENDATIONS

In response to a recommendation in the Auditor General's 2000-2001 report, the Commission will procure 11 SEGA race games from existing casino operators on or before December 31, 2003, to comply with the *Criminal Code* (Canada). During 2001-2002, the Commission purchased the race games in the Baccarat Casino in Edmonton, the Silver Dollar Casino in Calgary, and the Cash Casino in Red Deer. Any racing terminal agreements with casino operators that are still outstanding as of December 31, 2003 will be terminated.

ALBERTA LOTTERY FUND

In response to another recommendation of the Auditor General, the Commission is reviewing the commission paid to casino operators and VLT retailers. This is to ensure a reasonable compensation is paid to casino operators and VLT retailers for the services and space they provide for slot machines and VLTs.

FIRST NATIONS GAMING POLICY

The First Nations Gaming Policy, announced by the government in January 2001, is consistent with the province's Aboriginal Policy Framework. Its aim is to help develop sustainable economies and self reliant First Nations people and communities.

DID YOU KNOW?

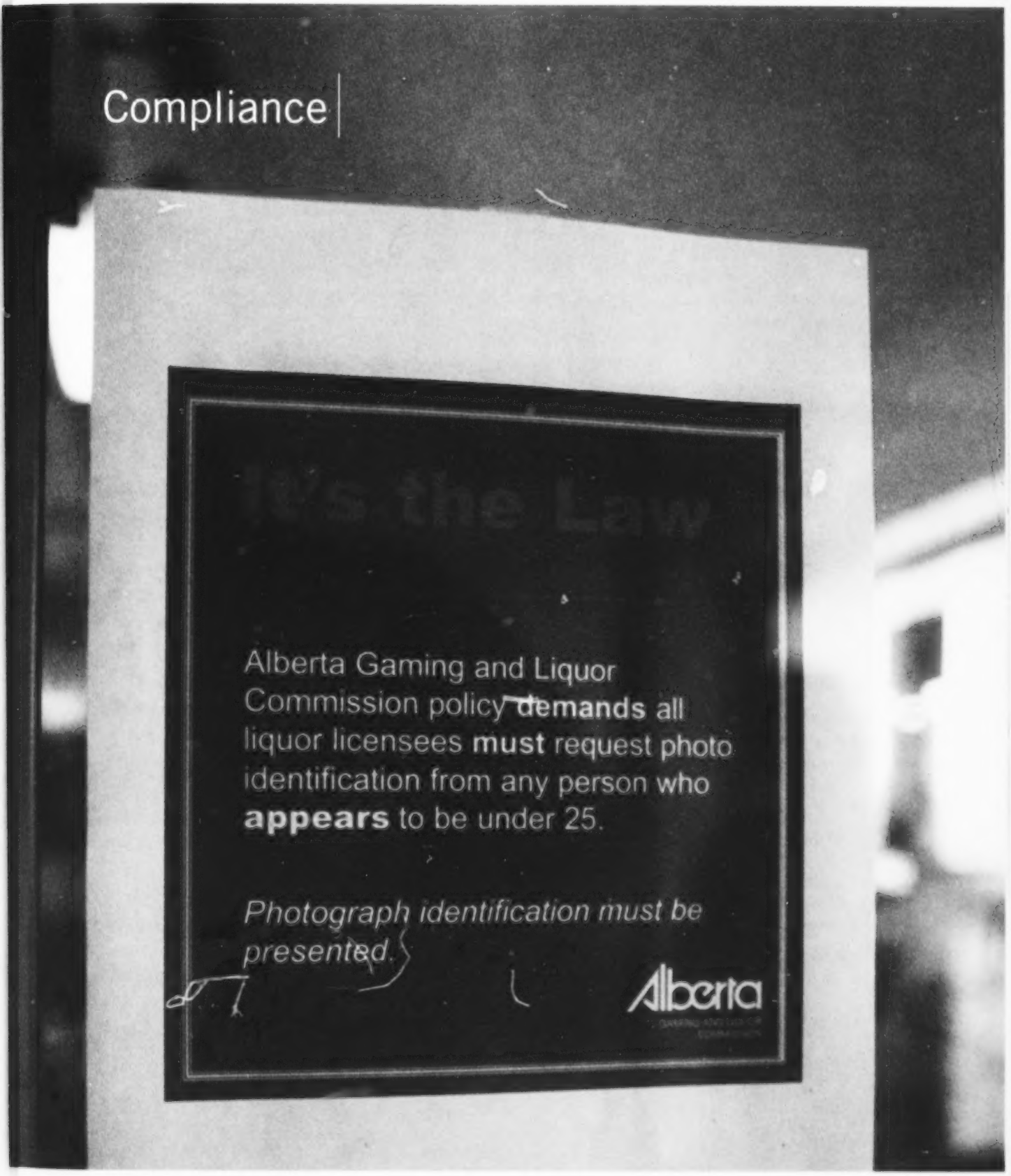
Alberta's new casino licensing policies ensure that any growth in gaming is carefully managed and controlled, as well as regulated.

The terms and conditions for the licensing of new casinos, including First Nations casinos, took effect in March 2002. These standards are based on the policy directions provided by the government following the Gaming Licensing Policy Review. The specific standards and terms and conditions were developed by the Commission and involved extensive stakeholder consultation.

There were no First Nations casinos in operation in 2002-2003. However, eight First Nations made application to the Commission for casino licences in three separate Tourism Destination Regions (TDRs); the Calgary TDR, the Edmonton TDR, and the Alberta Central TDR. During the year, the applications were in the various stages of the eight-step process for the formal approval of new licensed casino facilities in the province. This process and the status of applications are described in detail on the Commission's Web site at www.aglc.gov.ab.ca.

First Nations casinos must operate and be regulated under specific terms and conditions developed by the Commission. The province's share of proceeds from on-reserve casinos will be deposited in the Alberta Lottery Fund and used for traditional lottery programs and to provide funds to a new First Nations Development Fund.

Compliance


It's the Law
Alberta Gaming and Liquor Commission policy demands all liquor licensees must request photo identification from any person who appears to be under 25.
Photograph identification must be presented.
Alberta

ALBERTA LOTTERY FUND

Compliance

The compliance activities of the Commission help to maintain the integrity and security of gaming and liquor activities in the province.

REGULATORY DIVISION

The Regulatory Division of the Commission enforces the regulations and policies related to gaming and liquor activities. The Division issues licences for charitable gaming activities, certain gaming facilities such as casinos and bingo association halls, and for the sale of liquor. It also conducts inspection activities, investigations and audits.

The Division informs clients and stakeholders about the regulatory requirements for these activities. It regularly publishes and updates policy and guideline manuals, and distributes these to gaming service providers and liquor retailers.

Commission staff routinely meet with charities applying for, or seeking more information about, charitable gaming event licences. Staff also regularly meet with people interested in becoming part of the gaming and liquor industries and inform them about the legislative, regulatory and policy requirements.

"...there is no evidence that the residents of Alberta have been exposed to increases in crime or liquor-related offenses as a direct result of privatization."

Dr. Douglas West
The Privatization of Liquor Retailing in Alberta,
January 2003

During the fiscal year, the Commission initiated the development of a charitable gaming education program for the executive members of charitable gaming licensees, as recommended by the Gaming Licensing Policy Review. The program will provide information on the obligations of licensed charitable groups in the conduct of gaming activities under gaming legislation, regulation and policies.

To maintain the integrity of gaming and liquor activities and better serve stakeholders, the Commission opened satellite offices in Grande Prairie and Lethbridge to complement the offices in St. Albert, Calgary, Red Deer and Stettler.

DID YOU KNOW?

In Alberta, it is against the law for minors to be served, or purchase liquor in a licensed premise, such as a liquor store or bar. One policy that is designed to support this law requires all liquor licensees to request photo identification from anyone who appears to be under 25.

GAMING AND LIQUOR AMENDMENT ACT

Operational changes were carried out as a result of the *Gaming and Liquor Amendment Act* that was proclaimed in June 2002. This includes enforcement of new legislation that makes it an offence to permit an intoxicated person to gamble. The amendments further the Commission's commitment to social responsibility and ensure the Commission continues to have the authority to effectively regulate and maintain the integrity of liquor activities.

INSPECTION ACTIVITIES

Commission inspectors visit gaming and liquor establishments to ensure the operators or retailers are meeting the requirements of the *Gaming and Liquor Act*, Gaming and Liquor Regulation, and policies of the Commission. Inspectors also inspect facilities of liquor licence applicants to ensure all legislative, regulatory and policy requirements are met before liquor licences are issued. These requirements include meeting local bylaws such as the appropriate municipal approvals and fire authority approvals.

Commission inspectors, as well as members of police services throughout the province, conduct inspections of liquor licensed premises. Inspectors prepare incident reports which deal with contraventions of liquor legislation or policies. The five main areas of contravention are:

- illegal liquor – the sale of liquor imported directly from out of the province, or the sale of homemade wine, beer or ciders;
- liquor service to minors – sale of liquor to minors or allowing minors in a minors-prohibited premise;
- over service – sale or provision of liquor to intoxicated persons;
- after-hours service – sale or provision of liquor to patrons after the hours provided in regulation; and
- prohibited relationships between liquor suppliers and licensees – legislation and policies set out the business practices allowed between these parties.

ALBERTA LOTTERY FUND

During the fiscal year, the Commission conducted 16,519 liquor inspections and 253 incident reports were generated. The Commission also conducted 3,158 gaming inspections and 51 incident reports were generated. Incident reports detail alleged contraventions and are used in the process of taking disciplinary action against a licensee.

The Commission formed specialized casino and bingo inspection units in 2002-2003. The aims are to better serve stakeholders in the casino and bingo industries by enhancing staff knowledge of these charitable gaming activities, and to continue to preserve the integrity of charitable gaming in Alberta.

INVESTIGATIONS

The Regulatory Division conducts more than 1,000 investigations each year, including criminal investigations related to theft, fraud, forgeries and cheating at play. In 2002-2003, the Commission handled 412 criminal investigations that resulted in 41 individuals being charged with various offences under the *Criminal Code* (Canada).

The Commission conducts background and due diligence investigations on all companies and individuals involved in the gaming industry in Alberta including: casino facilities, racing entertainment centres, VLT gaming entertainment rooms, gaming suppliers, gaming terminal suppliers, gaming workers and raffle ticket managers. During 2002-2003, 231 background/due diligence investigations were conducted.

The Commission is a member of the Gaming Investigation Team, a joint force funded by the Commission that was established in 2001-2002. Members of the Gaming Investigation Team include the Commission; the municipal police services of Edmonton, Calgary, Lethbridge, and Medicine Hat; the RCMP; Alberta Justice; Alberta Solicitor General; and the Criminal Intelligence Service Alberta (CISA).

The Gaming Investigation Team pursues effective strategies to detect, combat and deter organized crime from gaining a foothold in the gaming industry in Alberta and to identify and prosecute illegal gaming activities. It investigates theft, fraud, forgery, cheating at play, after-hours poker clubs, illegal gaming machines, illegal lotteries, money laundering, loan sharking and bookmaking. The team collects, analyzes and shares among partner agencies criminal intelligence information gathered about illegal gaming activities.

The Commission also acts as an enforcement agent for Alberta Revenue in tobacco and fuel tax matters.

FORENSIC AUDIT

Routine audits are conducted on gaming stakeholders to ensure they are complying with the *Criminal Code* (Canada), the *Gaming and Liquor Act*, the Gaming and Liquor Regulation, and Commission policies. Forensic audits assist the Regulatory Division in financial analysis, theft investigations, due diligence investigations, policy reviews, and responding to third-party complaints and stakeholder requests.

During the year, 197 new forensic audit files were opened, 54 more than in the previous year. Eighty-eight files were carried over from the previous year for a total of 285 files. The Commission concluded work on 162 files. Sixty-nine of the concluded files involved detailed review of the use of charitable gaming proceeds. Forensic Audit also participated in 41 joint audit/eligibility reviews with the Inspections branch, of which eight were fully concluded.

There were 108 random audits that involved the following organizations:

- 8 bingo associations
- 1 community bingo
- 8 operational audits (4 casino and 4 bingo audits of charitable events)
- 91 charities

Thirty-seven of the new files resulted from complaints by the public or referrals from other branches of the Commission or the Department of Gaming. Seventy-nine background and due diligence investigations were conducted and 66 of these were concluded in 2002-2003.

USE OF CHARITABLE GAMING PROCEEDS

For accountability and transparency, charities that apply for gaming licences must state in their applications how they propose to use the proceeds from charitable gaming. The Commission approves applications of eligible charities and not-for-profit groups if the proposed use of gaming proceeds is for charitable or religious purposes, as required by legislation, regulation and Commission policies.

Licensed groups must report to the Commission how the proceeds they earned from charitable gaming activities have been used. If they were used for purposes other than those approved, the Commission will contact the group to determine why the funds were used for other purposes. Depending on the response, the matter may be referred to the Regulatory Division or the group may be scheduled for an audit.

Each year, the Commission also conducts random and selected audits of licensed groups that have held charitable gaming activities to determine whether they have used the proceeds for the purposes set out in their licence application.

In 2002-2003, charitable groups were issued over 5,000 gaming licences, and generated $206 million from the gaming activities they conducted.

BOARD HEARINGS

When a significant violation or infraction is identified, one that would give rise to a penalty or hearing under the *Gaming and Liquor Act*, Regulation or Board policy, the matter is referred to the Board of the Commission. In certain situations, the Board has delegated authority to the Commission to offer the licensee a specified penalty related to the offence. The licensee can choose to accept the penalty or appear before a hearing panel of the Board.

In 2002-2003, there were a total of 303 violations (42 gaming related and 261 liquor related) resulting in 68 warnings and 235 fines.

The Board conducts hearings into allegations of licensee or registrant violations of legislation and Board policy. In conducting hearings, the Board is impartial and functions separately from the Commission. The Board may hear testimony of witnesses and review documents presented as evidence from the licensee or registrant and the Commission.

The Board may impose the following sanctions for violations: issue a warning; impose conditions on the licence or registration or rescind or amend existing conditions on the licence or registration; impose a fine of not more than $200,000 and refuse to issue or reinstate a licence or registration until the fine is paid; suspend or cancel the licence or registration; require a person to dispose of an interest in the business under which the activities authorized by the licence or registration are carried out; or require a person to dispose of an interest in licensed premises or facilities.

After hearing all available information, the Board decides if a violation has occurred. Decisions of the Board are provided in writing to the licensee or registrant and include reasons for the decisions.

In 2002-2003, the Board held 56 hearings. Of these, 43 related to infractions of the *Gaming and Liquor Act* or Regulation and resulted in 28 fines, six suspensions, six warnings, one cancelled licence, one gaming worker registration application allowed after completion of an AADAC course and one charge being withdrawn. The remaining 13 hearings dealt with appeals of AGLC decisions on licensing and registration matters, resulting in the Board upholding seven of the AGLC decisions and overturning six.

A licensee or registrant may apply to the Court of Queen's Bench for a judicial review of the decision.

DID YOU KNOW?

The Commission posts its policies, board disciplinary decisions related to contraventions of the Gaming and Liquor Act and Gaming and Liquor Regulation, and specific licensee penalties on its Web site at www.aglc.gov.ab.ca.

ALBERTA LOTTERY FUND

TOBACCO INVESTIGATIONS AND INSPECTIONS

The Commission acts as an agent for Alberta Revenue to enforce certain provisions of the *Tobacco Tax Act* that relate to the illegal sale and smuggling of tobacco products. It works with Alberta Revenue, the Alberta Alcohol and Drug Abuse Commission (AADAC), the RCMP, Canada Customs and Revenue Agency – Canada Customs, Health Canada and other outside provincial regulators to enforce the Act.

In 2002-2003, the Commission conducted 445 investigations related to tobacco smuggling and tobacco diversion, resulting in 73 companies and individuals being charged under the *Tobacco Tax Act*. It also conducted 2,318 compliance visits at tobacco retailer locations in 2002-2003 to ensure compliance with provincial tobacco legislation. The visits resulted in 41 retailers found to be in non-compliance, two of whom were charged and convicted with possession of unlawful product. The remaining 39 retailers were either given warnings or were referred to other enforcement agencies for further follow up.

Human Resources

Technical Services Branch -
Gaming Products and Services Division
Silver Award Recipient
2003 Premier's Award of Excellence

ALBERTA
LOTTERY FUND

Human Resources

The Commission values having skilled, dedicated and knowledgeable employees that deliver high quality service to Albertans and stakeholders.

Strategic human resource plans help to identify specific programs, such as training and development, to ensure the organization has the knowledge and skills to accomplish its business plan goals. The Commission is also committed to providing programs which give staff opportunities for continuous learning and development.

The Commission continued to look at ways to improve the formal and informal employee recognition program. The program, which celebrates the achievements of employees, includes the "Way to Go" program of recognition by management and peers; recognition for perfect attendance; safety awards; and service anniversaries.

Employee surveys help identify how the Commission may improve its human resource programs, for example, by introducing new programs to address workplace issues.

An employee survey conducted in 2002 indicates 88% of employees are satisfied overall with the Commission as an employer and 90% of employees are proud to work at the Commission. Employees also indicate a high level of satisfaction with the work environment, working relationships, and training. The overall results reflect an organization in which there is common commitment between the employees and employer.

DID YOU KNOW?

88% of employees are satisfied overall with the Commission as an employer.

The survey identified the organization's key strengths as its committed workforce, an environment of respect, performance feedback, positive working relationships, promoting life/work balance, and high-quality supervisory skills.

The employees are also proud of the customer service focus of the Commission and strive to achieve high levels of client satisfaction, which was confirmed in the 2003 external survey results in which 92% of liquor industry clients and 95% of gaming industry clients indicate that they are satisfied with the level of service provided by the Commission.

With the input of its employees, the Commission will ensure its human resource programs continue to be valuable, meaningful and meet employees' needs.

ALBERTA LOTTERY FUND

PREMIER'S AWARD OF EXCELLENCE

2003 Premier's Award *of* Excellence

In 2002-2003, the Commission participated in the Premier's Award of Excellence Program, which promotes and recognizes superior service and business practices in the Alberta Public Service. The Commission entered a submission for the Technical Services Branch of the Gaming Products and Services Division and was recognized with a Silver Award in June 2003.

The Technical Services Branch is responsible for the maintenance of VLTs, slot machines, and ticket lottery terminals. The Technical Services Branch exemplifies the award criteria, which emphasizes continuous improvement and best practices related to service excellence, performance measurement, teamwork, and a supportive work environment. This is reflected in the achievement of a 98% satisfaction level with retailers in relation to the services provided for VLTs, slot machines and ticket lotteries for the past two years. The achievement of this award is a reflection of the hard work of the entire organization which contributes to the excellence in service to the Alberta public.

Muriel Grimble, Executive Director Gaming Products and Services, and Gord Matthew, Director Technical Services, receive congratulations from Premier Ralph Klein at the 2003 Premier's Award of Excellence ceremony.

Social Responsibility

The Commission is committed to social responsibility in the delivery of gaming and liquor activities in the province. The Commission's mission is to ensure gaming and liquor activities are conducted with integrity and social responsibility. The Commission is directly involved in programs or projects related to responsible gaming and the responsible use of alcohol products. Through the regulation of gaming and liquor activities, the Commission can ensure various social responsibility requirements set out in legislation, regulation or policy are being met by licensees and the public.

ALBERTA LOTTERY FUND

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Social Responsibility

"In Alberta, we are always trying to find the appropriate balance between choice and responsibility."

Ron Stevens
Minister of Gaming
January 8, 2003

GENERAL

The Commission collaborates with the Alberta Alcohol and Drug Abuse Commission (AADAC) in distributing booklets, pamphlets and periodicals on a variety of topics to liquor and gaming licensees. These include quick facts about alcohol, drugs and gambling, and addictions awareness. AADAC develops and carries out treatment programs for problem gamblers and those with alcohol and other drug dependencies.

The *Gaming and Liquor Act* and Regulation and Commission policies prohibit the sale of liquor to minors and prohibit minors from entering gaming facilities such as casinos, VLT retail sites, and racing entertainment centres. The Act also prohibits an apparently intoxicated person from playing a gaming activity or being served liquor. Commission policies prohibit the granting of credit for gambling.

LIQUOR

The Commission encourages liquor licensees and manufacturers to promote the responsible use of alcohol in their advertising and other promotions of liquor products and services.

The Commission participates in the Alberta Partnership on Fetal Alcohol Spectrum Disorder (FASD)/Fetal Alcohol Syndrome (FAS), a provincial group comprised of stakeholders who examine ways to reduce the incidence of FASD/FAS. It also participates on the Social Responsibility Committee of the Canadian Association of Liquor Jurisdictions.

Liquor licensees who serve liquor to minors, those under 18 years of age, face penalties up to and including licence suspension or cancellation. The Commission's inspectors routinely collaborate with police services to detect and report violations in liquor licensed premises, including over service of liquor and liquor service to minors, among other violations.

During the fiscal year, the Commission worked with the liquor industry to launch a program to ensure compliance with its policy requiring liquor retailers to ask for photo identification of any customer or patron who appears to be 25 years of age or younger. This policy ensures liquor is not

sold or served to minors. Seminars were held for liquor licensees to encourage a higher level of compliance, audits were conducted for compliance, and the penalties for non-compliance were increased. The Commission will follow up with a similar program in spring 2003.

The liquor industry and government agencies initiated a certification program for liquor industry staff in 2002-2003 to replace separate industry training programs. Everyone involved in the sale of liquor to the public will be trained under a uniform system with the highest standards for responsible customer service. All server intervention training will become mandatory for everyone involved with the sale or service of liquor.

GAMING

Information about problem gambling prevention and treatment programs is made available to players at gaming venues. Information about AADAC's 24-hour problem gambling help-line is displayed or made available in casinos, racing entertainment centres, bingo halls, VLT retailer locations, and ticket lottery retail outlets throughout the province. The help-line number, 1-866-332-2322, appears on lottery tickets and print material available to players.

Casino and VLT retailer staff participate in the Responsible Gaming Program to increase awareness of problem gambling issues. This program, led by AADAC and the Commission, has four components, two of which are mandatory for casinos and VLT retailers, and two of which are voluntary. The mandatory components include staff awareness training and the posting of responsible gaming signs. The two voluntary components include staff server intervention products and yearly consultation meetings.

During the year, over 100 Responsible Gaming Program sessions were held for all VLT retailers in the province. Over 5,000 staff of VLT retailers viewed the videotape "Winning Moments" on problem gambling and received a certificate of completion. Almost all retailers have met the two mandatory requirements. In addition, 60 VLT retailers will receive an award for completing the two voluntary components of the program. They will be recognized with a wall plaque and an advertisement in their local newspaper.

DID YOU KNOW?

The AGLC works closely with AADAC in promoting problem gambling awareness, prevention and treatment services in gaming facilities and in the community.

The staff of casinos continued to participate during the fiscal year in the "Deal Us In" Responsible Gaming Program. Almost all of the casinos, and the two racing entertainment centres (RECs), participated in both Phase I – Staff Awareness, and Phase II – Management Intervention Training. A train-the-trainer program using a videotape, similar to the related VLT program, will be developed for casinos and RECs in 2003-2004.

Consultations with the bingo industry on the delivery of a Responsible Gaming Program will begin in 2003-2004.

The Commission introduced a policy requiring operators of gaming facilities to ensure children have not been left unattended on casino facility property or on bingo association facility or community bingo property. The Commission consulted with other gaming jurisdictions to develop the policy, which provides that the facility licensee take appropriate measures to ensure the safety of unattended children.

The Casino and Racing Entertainment Centre Voluntary Self-Exclusion Program allows people to voluntarily be excluded from entering all Alberta casinos and RECs. The program is administered by the Commission and enforced by casino and REC security staff. The program was expanded to include RECs in 2002-2003. Participants formally agree to be excluded for a minimum of six months and up to three years. Over 1,000 individuals have signed agreements since the program began in September 2000, and there are over 900 participants currently active in the program. Participants can be charged with trespassing under Section 70(b) of the *Gaming and Liquor Act* for violating the agreement (re-entering a licensed premise). Twenty-six individuals who were participating in the program during the year were charged with trespassing for entering a casino or REC.

Beneficiaries of Gaming Proceeds

ALBERTA
LOTTERY FUND

Beneficiaries of Gaming Proceeds

Each year thousands of not-for-profit community organizations, projects and initiatives throughout the province benefit from gaming proceeds. These proceeds are obtained either from licensed charitable gaming activities conducted by eligible charities or through disbursements from the Alberta Lottery Fund.

CHARITABLE GAMING

The government has adopted a charitable model for casinos, bingos, raffles and pull-ticket sales. Under this model, eligible charitable or religious groups may apply to the Commission for a licence to conduct these gaming activities. To be eligible for a licence, the group must deliver a program or service providing benefit to a significant segment of the community. Over 6,000 gaming licences allowed charitable groups throughout Alberta to earn $206 million from gaming activities in 2002-2003.

DID YOU KNOW?

Returns to charities holding casino events have more than tripled since 1996-1997, from $27.8 million to approximately $122 million in 2002-2003.

A summary of the number of licences that held events, revenues and net profits to charities from charitable gaming activities is as follows:

	2003						2002
	Licences*	Total Gross ($ millions)	Prizes/ Winnings ($ millions)	Expenses ($ millions)	Slot Machines ($ millions)	Net Proceeds to Charity ($ millions)	Net Proceeds to Charity ($ millions)
Bingo	2,456	274	178	50	-	46	50
Casino	2,893	641	513	86	80	122	114
Pull-ticket	620	42	31	3	-	8	10
Raffle	288	89	39	20	-	30	26
	6,257	**1,046**	**761**	**159**	**80**	**206**	**200**

* Licences included in this table are those that held events in 2002-2003

> Net Profit to Charities (in millions of dollars)

Charitable gaming proceeds are used to support a range of community projects including:

- **Amateur Sports** - competitive amateur sports (i.e. minor hockey and swimming);
- **Education** - the purchase of special learning or athletic equipment;
- **Arts** - performing visual and literary arts, including art galleries, dance, choral, theatre, marching and school bands;
- **Community** - community facilities used by youth and adults;
- **Multiculturalism** - the preservation of cultural heritage;
- **Agriculture** - youth agricultural education programs and clubs and agricultural fairs;
- **Medicine / Health** - support medical research or assistance with medical treatment programs; and
- **Recreation** - social activities for senior citizens.

ALBERTA LOTTERY FUND

The following table provides a breakdown of the proceeds earned by charities in 2002-2003, compared to 2001-2002, based on the Commission's general categories for charitable gaming.

($ millions)	Proceeds Earned in	
Categories of Charitable Groups	**2002-2003**	**2001-2002**
Amateur Sports	44	44
Service	29	30
Education	21	18
Foundation	19	13
Social Action	17	20
Arts	17	16
Community	17	17
Multiculturalism	12	14
Agriculture	8	7
Medicine/Health	7	7
Recreation	4	4
Senior Citizens	4	3
Religious	3	3
Youth	3	3
Other	1	1
	206	**200**

ALBERTA LOTTERY FUND

The Alberta Lottery Fund supports thousands of charitable, not-for-profit, public and community-based initiatives. These initiatives include community facilities, libraries, museums, sports and athletic events, agricultural societies, major exhibitions, arts and cultural groups, wildlife and conservation projects, public athletic facilities, seniors' groups, recreation, tourism, and historical resources.

The Alberta Lottery Fund consists of the government's share of revenue from video lottery terminals, slot machines and ticket lotteries, net of the Commission's gaming operations costs. Gaming revenues are collected by the Commission and deposited into the Alberta Lottery Fund, which is administered by the Commission under the provisions of the *Gaming and Liquor Act*. In 2002-2003, almost $1.1 billion was generated for the Alberta Lottery Fund.

Alberta Lottery Fund revenues are allocated to public initiatives, programs and foundations identified in the government's business planning process and approved by the provincial legislature.

Alberta Lottery Fund dollars are distributed to specific ministries and through those ministries to public initiatives, foundations and grant programs, according to their respective mandates. This allows lottery dollars to be directed to thousands of initiatives in Alberta communities.

Alberta Gaming administers two key grant programs funded by the Alberta Lottery Fund. These are the Community Facility Enhancement Program (CFEP) and the Community Initiatives Program (CIP). CFEP provides financial assistance to build, purchase, repair, renovate or upgrade public-use facilities in Alberta communities. CIP, introduced in June 2002, helps support project-based initiatives in areas such as community services, seniors' services, libraries, arts and culture, sports and recreation.

DID YOU KNOW?

The Alberta Lottery Fund is the provincial government's share of the revenue from provincial lotteries (VLTs, slot machines and ticket lotteries net of gaming operation costs). The Alberta Lottery Fund received over $1 billion in 2002-2003.

"The fair and agricultural complex are at the heart of our community. There's always something happening at Lakedell and the contribution of the Alberta Lottery Fund certainly helps to make that happen."

Jo MacDonald
Secretary Treasurer
Lakedell Agricultural Society

ALBERTA LOTTERY FUND

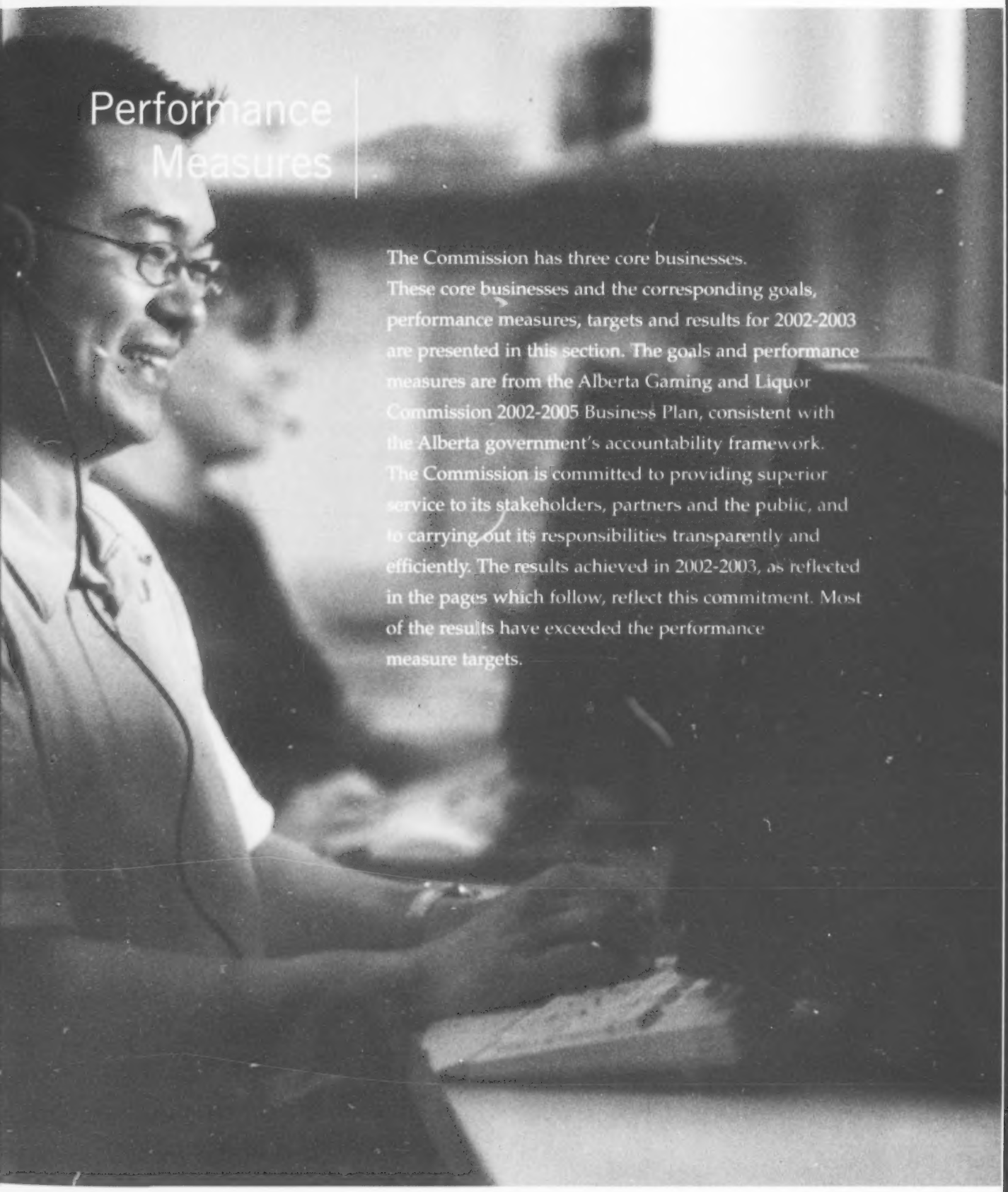
The following foundations, administered through Alberta Community Development, also direct lottery revenues to support Alberta's volunteers and communities:

- Alberta Foundation for the Arts
- Alberta Sport, Recreation, Parks and Wildlife Foundation
- The Wild Rose Foundation
- Alberta Historical Resources Foundation
- Alberta Human Rights, Citizenship and Multiculturalism Education Fund

The Alberta Lottery Fund Web site at www.albertalotteryfund.ca allows users to search lottery funded projects by organization, community or type of grant.

"I'm extremely proud of the Alberta Lottery Fund and the support it provides to important community projects across the province. With this new Web site, information, stories, and application forms are only a mouse click away."
(www.albertalotteryfund.ca)

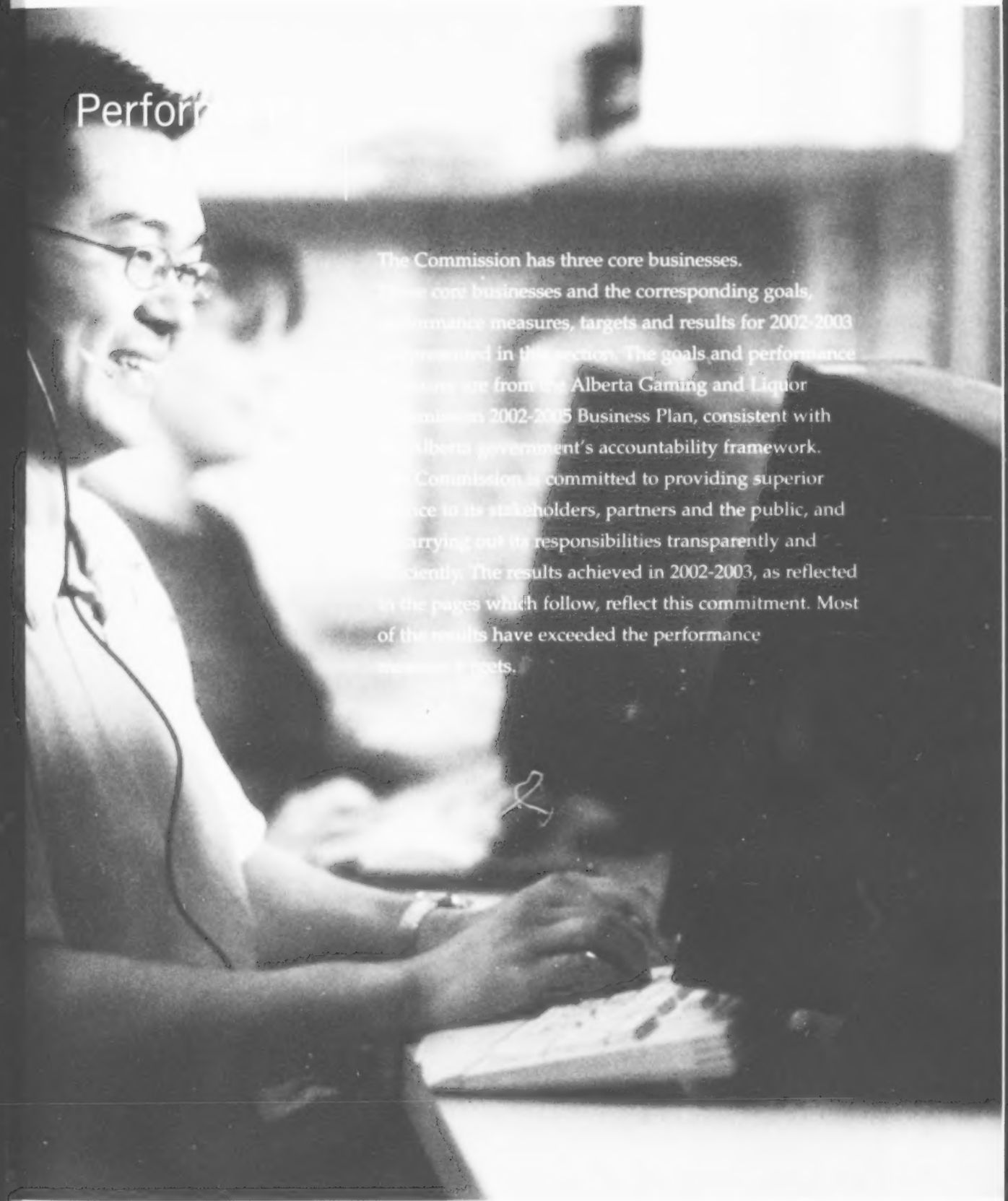
Ron Stevens,
Minister of Gaming



Performance Measures

The Commission has three core businesses. These core businesses and the corresponding goals, performance measures, targets and results for 2002-2003 are presented in this section. The goals and performance measures are from the Alberta Gaming and Liquor Commission 2002-2005 Business Plan, consistent with the Alberta government's accountability framework. The Commission is committed to providing superior service to its stakeholders, partners and the public, and to carrying out its responsibilities transparently and efficiently. The results achieved in 2002-2003, as reflected in the pages which follow, reflect this commitment. Most of the results have exceeded the performance measure targets.

ALBERTA LOTTERY FUND



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Core Business 1
License and regulate liquor activities.

The Commission licenses, regulates and monitors liquor activities in the province according to the *Gaming and Liquor Act* and Regulation, other provincial and federal legislation, and Commission policies. The Commission also registers liquor suppliers and suppliers' representatives.

Goal 1.1
Develop liquor policy and conduct licensing activities in accordance with the *Gaming and Liquor Act* and Regulation.

Goal 1.2
Ensure the manufacture, importation, distribution, sale and consumption of liquor products are conducted according to legislation and policy.

PERFORMANCE MEASURE RESULTS

Core Business 1 has three performance measures. These measures, the targets and results are discussed here.

PERFORMANCE MEASURE 1

	2001-2002		2002-2003	
	Target	**Result**	**Target**	**Result**
Licensees comply with legislation, regulation and policy.	85%	98.4%	87%	98.5%

ABOUT THE RESULTS

The Regulatory Division of the Commission is responsible for conducting inspections of licensed liquor premises in Alberta, to ensure licensees are complying with legislation, regulation and policy. Inspectors complete a report for each inspection conducted, and the results are entered into the Commission's investigation system.

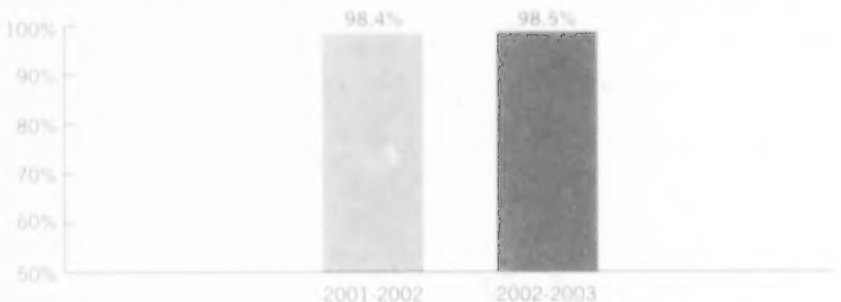
If a significant violation is identified, one that would give rise to a penalty or hearing under the *Gaming and Liquor Act*, Regulation or Board policy, an incident report is prepared and the matter is referred to the Executive Director of the Regulatory Division or to the Board of the Commission for disposition. Compliance is not met if an incident report is prepared.

Results equal the ratio of the number of inspections during the period in which an incident report was generated to the total number of inspections for the period.

KEY RESULTS

During 2002-2003, the Alberta Gaming and Liquor Commission conducted 16,519 liquor inspections which generated 253 incident reports and a compliance rate of 98.5%. The compliance rate has not changed significantly over the past two years.

> Liquor licensees comply with legislation, regulation and policy



PERFORMANCE MEASURE 2

	2001-2002		2002-2003	
	Target	Result	Target	Result
Percentage of licences and registrations approved within established timeframes.	95%	99.8%	97%	98.8%

ABOUT THE RESULTS

The Commission is committed to providing superior service to its stakeholders, partners and the public. For this performance measure, service is measured by whether or not response time targets are met for customers applying for liquor licences and registrations.

New licences refer to licences issued to individuals or organizations for the sale and consumption of liquor. Specifically, these refer to an individual, company or organization that applies and is issued a licence for the sale and manufacture of liquor.

A Special Event licence allows the licence holder to host a function with liquor service. Special event functions are for a limited duration and the licence holders can be individuals, not-for-profit organizations or companies.

A liquor agency registration allows the licence holder to represent a liquor supplier in the sale of the supplier's liquor. Liquor agencies can be a company or an individual.

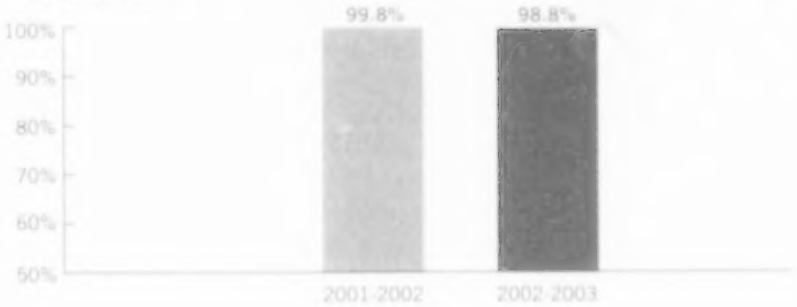
Response times are measured in working days. They are calculated from the date all the information is received from the customer applying for a licence, to the date when the application process is finalized. The documents are date stamped by the Commission when they are received and filed for final processing.

The results equal the ratio of applications processed within established timeframes to the total applications processed during the period. The results for new licences were derived from a random sample of 100 licences to test for completion dates.

KEY RESULTS

In 2002-2003, over 1,800 licences and registrations were issued and 98.8% were processed within established timeframes.

> Liquor licences and registrations approved within established timeframes



SUPPLEMENTAL INFORMATION

Type of licence	Timeframes established for completion	Number of licences processed		Percentage completed within timeframe	
		2001-2002	2002-2003	2001-2002	2002-2003
New Licences	21 days	1,005	1,124	100%	98%
Special Event Licences	14 days	695	736	100%	100%
Liquor Agency Registrations	7 days	38	29	89%	100%
Total		**1,738**	**1,889**	**99.8%**	**98.8%**

PERFORMANCE MEASURE 3

	2001-2002		2002-2003	
	Target	Result	Target	Result
Percentage of liquor industry clients who are satisfied with level of service provided by AGLC.	Establish baseline	95%	Increase over 2001-2002 baseline	92%

ABOUT THE RESULTS

The AGLC is committed to providing excellence in service to its clients. To determine the satisfaction of liquor industry clients with the services provided by the Commission, Research Innovations Inc. was commissioned

to survey liquor industry clients. In January 2003, 367 of 6,193 liquor licensees and 137 of 206 registered liquor agencies were interviewed. The margin of error was no more than +/- 5% with a confidence level of 95%.

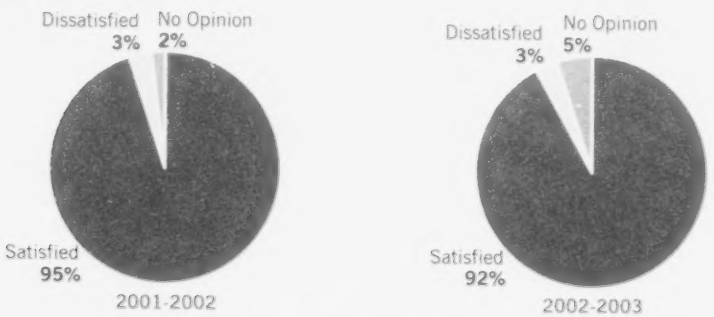
A random and representative sample of both client groups was asked to focus on the services provided to them by the Commission over the past 12 months. Both client groups were asked to rate their satisfaction with three different aspects of service during the past twelve months: response time, knowledge of employees and courtesy of employees. In addition, they were asked to rate their overall satisfaction with the services provided by the Alberta Gaming and Liquor Commission. Possible responses were "very satisfied", "satisfied", "somewhat satisfied", "somewhat dissatisfied", "dissatisfied", "very dissatisfied", or "don't know".

Overall satisfaction was calculated by weighting the results so that the number of respondents in each group was proportionate to their representation in the entire client population. Satisfaction ratings represent the total per cent of respondents indicating they were "very satisfied", "satisfied", or "somewhat satisfied" with the service.

KEY RESULTS

Overall satisfaction with the services offered by the AGLC is 92%. It is important to note that the overall level of dissatisfaction did not increase since last year, as the percentage of dissatisfaction remained at 3% for both years. However, this year, 5% of the liquor industry clients surveyed indicated that they either didn't know or did not state an opinion, which is up 3% from the previous year.

> Overall liquor industry clients who are satisfied with level of service provided by AGLC



Core Business 2

License and regulate charitable gaming activities.

The province continues to be a leader with its charitable gaming model for casinos, bingo, raffles and pull-ticket sales. These gaming activities may only occur when eligible non-profit and charitable groups apply for and receive licences to conduct them. Alberta's charitable model ensures proceeds from gaming activities provide a benefit to the community.

Goal 2.1

Develop gaming policy and conduct licensing activities under the authority of the *Criminal Code of Canada* and in accordance with the *Gaming and Liquor Act* and Regulation.

Goal 2.2

Ensure all gaming activities are conducted in accordance with legislation and policy.

PERFORMANCE MEASURE RESULTS

Core Business 2 has three performance measures. These measures, the targets and results are discussed here.

PERFORMANCE MEASURE 1

	2001-2002		2002-2003	
	Target	**Result**	**Target**	**Result**
Charitable gaming activities are conducted in accordance with legislation, regulations and policy.	80-90%*	93-99%*	92%	96.4%

* In 2001-2002 separate compliance targets were set for each of the four charitable gaming streams. In 2002-2003 the same target was set for each stream. For more information on the 2001-2002 targets and results, please see the 2001-2002 Annual Report.

ALBERTA LOTTERY FUND

ABOUT THE RESULTS

The Regulatory Division of the Commission conducts inspections and audits of charitable gaming activities to ensure licensees are complying with legislation, regulations and policy. Charitable gaming activities refer to bingo, casino table games, raffles and pull-tickets.

Compliance is monitored by inspection and audit of charitable gaming activities to determine whether the licensee adheres to legislation and policies for the specific licence.

Inspectors complete a report for each inspection conducted. An inspection involves an inspector reviewing the processes, procedures and/or activities at licensed premises, licensed facilities or at licensed gaming events to ensure they are being conducted in accordance with legislation and policy. If a significant violation is identified, one that would give rise to a penalty or hearing under the *Gaming and Liquor Act*, Regulation, or Board policy, an incident report is prepared and the matter is referred to the Executive Director, Regulatory Division, for a specified penalty or to the Board of the Commission for further action.

Similarly, the Regulatory Division prepares an audit report for each audit conducted. An audit involves a comprehensive analysis of the operations and/or financial records of a licensee to ensure the licensee is complying with the *Gaming and Liquor Act*, Regulation or Board policy. Again, if a significant violation is identified, one that would give rise to a penalty or hearing under the *Gaming and Liquor Act*, Regulation, or Board policy, an executive audit summary report is prepared and the matter is referred to the Executive Director, Regulatory Division, for a specified penalty or to the Board of the Commission for further action.

The results equal the ratio of the total number of inspections resulting in incident reports and audits that identify infractions during the period to the total number of inspections and audits conducted during the period.

KEY RESULTS

In 2002-2003, there were a total of 3,272 inspections and audits conducted in the gaming industry with 117 incident reports and/or infractions generated. The overall rate of compliance for 2002-2003 is 96.4%.

> 2002-2003 inspections and audits

3,158	inspections	51	incident reports	98.4%	compliance
114	licences audited	66	infractions reported	42.1%	compliance
3,272	inspections/audits	117	incidents/infractions	96.4%	compliance

A lower rate of compliance is expected with audits, as opposed to inspections, as the majority of audits are initiated by complaints from the public or referrals from other branches of the Commission or the Department of Gaming.

PERFORMANCE MEASURE 2

	2001-2002		2002-2003	
	Target	**Result**	**Target**	**Result**
Percentage of licences and registrations completed within established timeframes.	95%	97.8%	97%	98.3%

ABOUT THE RESULTS

The Commission is committed to providing superior service to its stakeholders, partners and the public.

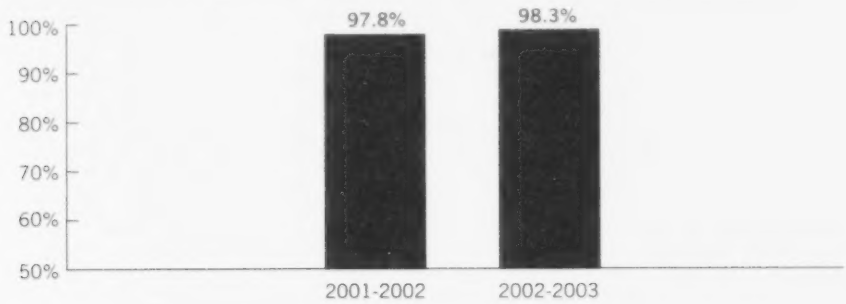
For this performance measure, service is measured by whether or not response time targets are met for customers applying for licences and registrations. Response times are calculated from the date the complete documentation is received to the final processing date of the applications. Results equal the ratio of applications completed within established timeframes to the total number of applications processed during the period.

KEY RESULTS

In 2002-2003, 9,380 charitable gaming licences and registrations were processed with 98.3% of licences and registrations completed within established timeframes.

ALBERTA LOTTERY FUND

> Licences and registrations completed within established timeframes



SUPPLEMENTAL INFORMATION

In each gaming stream, the licences and registrations were completed within the established timeframes as illustrated in the following chart:

Type of licence or registration	Timeframes established for completion	Number of licences		Percentage completed within timeframe	
		2001-2002	2002-2003	2001-2002	2002-2003
Bingo Licences	12 weeks	1,418	1,577	99%	96.5%
Casino Licences	12 weeks	2,673	2,923	95%	100%
Pull-Ticket Licences	4 weeks	258	371	82%	74.1%
Raffle Licences	8 weeks	331	317	100%	97.8%
Gaming Worker Registrations	6 weeks	3,931	4,192	100%	100%
Total		**8,611**	**9,380**	**97.8%**	**98.3%**

PERFORMANCE MEASURE 3

	2001-2002		2002-2003	
	Target	**Result**	**Target**	**Result**
Percentage of gaming industry clients who are satisfied with level of service provided by AGLC.	Establish baseline	95%	Increase over 2001-2002 baseline	95%

ABOUT THE RESULTS

Research Innovations Inc. was commissioned to survey charitable gaming licensees to assess their level of satisfaction with the services provided by the Commission. A random selection of Charitable Gaming Licences was drawn from a list of active organizations that had applied for a licence since January 1, 2002. In January 2003, telephone interviews were conducted with:

- 297 of the 1,280 bingo licensees;
- 343 of the 2,777 casino licensees;
- 153 of the 253 raffle licensees; and
- 187 of the 356 pull-ticket licensees.

The sampling size provides a margin of error of no more than +/- 3.8% with a confidence level of 95%.

The survey methodology ensured that charitable groups which held more than one type of gaming licence during the period were not surveyed more than once.

A random and representative sample of client groups was asked to focus on the services provided to them by the Commission over the past 12 months. Client groups were asked to rate their satisfaction with three different aspects of service during the past twelve months: response time, knowledge of employees and courtesy of employees. In addition, they were asked to rate their overall satisfaction with the services provided by the Alberta Gaming and Liquor Commission. Possible responses were "very satisfied", "satisfied", "somewhat satisfied", "somewhat dissatisfied", "dissatisfied", "very dissatisfied", or "don't know".

ALBERTA LOTTERY FUND

To calculate overall satisfaction with all the services received from the Commission, the results were weighted so that the number of respondents in each group (bingos, casinos, raffles and pull-tickets) was proportionate to their representation in the entire client population. Satisfaction ratings represent the total percent of respondents indicating they were "very satisfied", "satisfied", or "somewhat satisfied" with the service.

KEY RESULTS

The four client groups' combined overall satisfaction with the services provided by the Commission is 95%, which is unchanged from 2001-2002.

> Gaming industry client satisfaction with level of service provided by AGLC

Core Business 3

Conduct and manage provincial gaming activities.

The Alberta Gaming and Liquor Commission (AGLC) is responsible for the conduct and management of electronic gaming in Alberta under the authority of the *Criminal Code* (Canada), provincial legislation and policy. The AGLC owns and operates two primary gaming networks in Alberta – the video lottery terminals in licensed premises and slot machines in casino facilities and racing entertainment centres. The AGLC, in partnership with the Western Canada Lottery Corporation (WCLC), also conducts and manages ticket lotteries in the province.

Goal 3.1
Ensure all provincial gaming activities are conducted in accordance with legislation and policy.

Goal 3.2
Ensure the efficiency and effectiveness of gaming operations.

Goal 3.3
Ensure the return to charitable gaming through the introduction of provincial lotteries.

PERFORMANCE MEASURE RESULTS

Core Business 3 has three performance measures. These measures, the targets and results are discussed here.

PERFORMANCE MEASURE 1

	2001-2002		2002-2003	
	Target	**Result**	**Target**	**Result**
Retailer satisfaction with AGLC services related to VLTs, slot machines and ticket lotteries.	80%	98%	90%	98%

ALBERTA LOTTERY FUND

ABOUT THE RESULTS

In this performance measure, service refers to Hotline and field repair services for video lottery terminals and ticket lottery terminals, and field repair services for slot machines.

Research Innovations Inc. was commissioned to survey video lottery terminal retailers, lottery ticket retailers and casino operators/slot machine retailers. In January 2003, telephone interviews were conducted with: 292 of the 1,224 video lottery terminal retailers; 332 of 2,101 lottery ticket retailers; and 17 of 18 casino operators/slot machine retailers. The margin of error was no more than +/- 5% with a confidence level of 95%.

A random and representative sample of the client groups was interviewed.

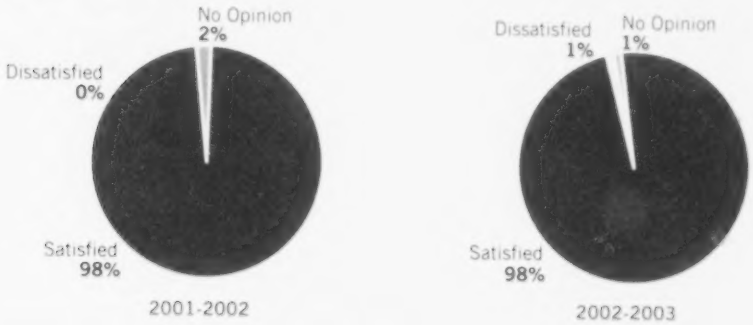
Retailers were asked to rate their satisfaction with various aspects of the Hotline services and field repair services they received from the Commission over the past 12 months. Clients were asked to base their level of satisfaction on six choices: "very satisfied", "satisfied", "somewhat satisfied", "somewhat dissatisfied", "dissatisfied", or "very dissatisfied". Satisfaction ratings represent the total percent of respondents indicating they were "very satisfied", "satisfied", or "somewhat satisfied" with the service.

To calculate overall satisfaction with all services received from the Commission, the data was weighted so that the number of clients in each group was proportionate to their representation in the entire client population.

KEY RESULTS

The three client groups' overall satisfaction with the services provided by the Commission is 98%. This is the same level of satisfaction found in 2001-2002.

> Retailer satisfaction with AGLC services related to VLTs, slot machines and ticket lotteries



SUPPLEMENTAL INFORMATION

Video lottery terminal operators rated their satisfaction with Hotline services based on the level of courtesy at 100% (an increase of 1% from last year); knowledge shown by Hotline operators at 99% (increase of 1% from last year); and speed at which calls were answered at 96% (decrease of 1% from last year). Satisfaction was rated for field repair services based on level of courtesy at 99% (increase of 1% from last year); quality of technicians' repairs at 97% (increase of 3% from last year); and response time at 93% (increase of 5% from last year).

Lottery ticket retailers rated their satisfaction with Hotline services based on the level of courtesy at 97% (decrease of 2% from last year); knowledge shown by Hotline operators at 98% (remained the same); and speed at which calls were answered at 95% (increase of 1%). Satisfaction was rated for field repair services based on level of courtesy at 95% and quality of technicians' repairs at 94% which remained the same as last year, while satisfaction with response time was rated at 92% (decrease of 3%).

Casino and slot machine operators rated their satisfaction with field repair services based on level of courtesy at 100% and quality of technicians' repairs at 100%, both remain unchanged from last year.

PERFORMANCE MEASURE 2

	2001-2002		2002-2003	
	Target	**Result**	**Target**	**Result**
On-line availability of central operating systems for VLTs and slot machines.	99.0%	99.99%	99.2%	99.98%

ABOUT THE RESULTS

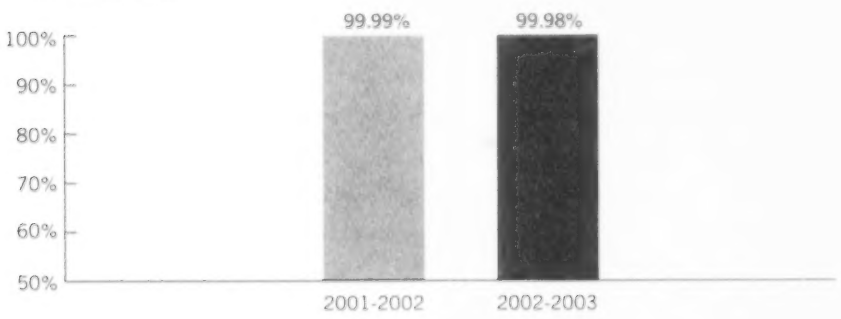
The Commission strives to ensure gaming activities are conducted in a responsible way while providing financial returns to benefit charitable, non-profit, public and community-based initiatives throughout Alberta.

All electronic gaming activities are monitored and controlled through central computerized systems operated by the Commission. The VLT central system and the slot central system are separate computer systems that automate the security and accounting for the video lottery terminals and slot machines throughout the province. Availability of these two systems is measured separately. Both systems must be available seven days per week, 17 hours per day (10 a.m. to 3 a.m.). The measure is the combined availability of both central systems over the period.

KEY RESULTS

The slot central system experienced three brief outages due to software problems and one outage after a software upgrade. The VLT central system was affected when the communication line to the AGLC data centre was cut by a construction crew and one brief outage caused by an operator error.

> On-line availability of central operating systems for VLTs and slot machines



PERFORMANCE MEASURE 3

	2001-2002		2002-2003	
	Target	**Result**	**Target**	**Result**
Percentage of gaming integrity issues resolved within established timeframes.	80%	82.2%	85%	97.6%

ABOUT THE RESULTS

Maintaining the integrity and accountability of gaming in Alberta is essential. The AGLC works with stakeholders to ensure games are operated fairly and according to consistently applied rules and procedures.

For this performance measure, gaming integrity issues refers to any dispute about the operation of the gaming equipment, any credit dispute involving a player or retailer, or any perceived illegal or unethical behaviour by a retailer, player or Commission employee.

Commission inspectors resolve the majority of gaming integrity issues. Those that cannot be resolved by Inspectors are forwarded to the Commission Response Team which is comprised of representatives from most divisions of the Commission. The timely resolution of these matters is essential and the Response Team's goal is to address and resolve these issues through fair and impartial review within 30 days of receipt.

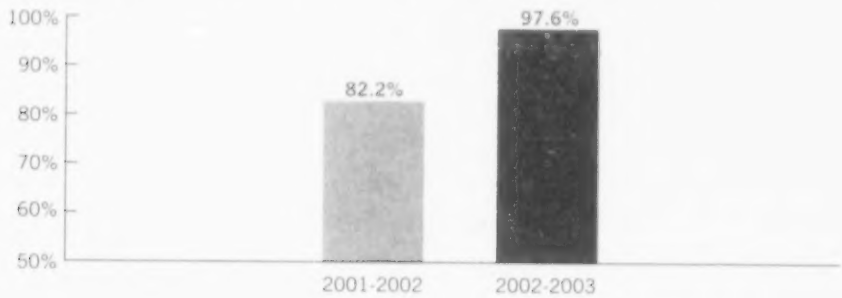
Integrity issues forwarded to the AGLC Response Team are entered into the AGLC Response Team Incident Manager database. When the issue is resolved, the resolution, and the date of the resolution are also entered into the database and the parties are notified. A report generated for this measure is based on a calculation between the date the matter was received by the Response Team and the date the matter was resolved.

ALBERTA LOTTERY FUND

KEY RESULTS

In 2002-2003, the Response Team resolved 123 issues and 97.6% of these were resolved within 30 days.

> Gaming integrity issues resolved within established timeframes



Financial Statements

ALBERTA LOTTERY FUND

Auditor's Report

AUDITOR GENERAL *Alberta*

To the Members of the Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Alberta Gaming and Liquor Commission as at March 31, 2003 and the statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
May 23, 2003

Alberta Gaming and Liquor Commission
Balance Sheet

as at March 31, 2003 (thousands of dollars)

	March 31, 2003	March 31, 2002
Assets		
Current Assets		
Cash (Note 3)	$ 119,419	$ 143,873
Accounts receivable	37,742	28,974
Prepaid expenses and inventories (Note 4)	8,070	6,225
	165,231	179,072
Property, Plant and Equipment (Note 5)	95,133	69,647
	$ 260,364	$ 248,719
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 71,214	$ 77,422
Due to the Alberta Lottery Fund (Note 7)	38,537	28,497
	109,751	105,919
Due to General Revenues (Note 8)	145,746	137,509
Provision for Loss on Leased Properties (Note 13)	4,867	5,291
	$ 260,364	$ 248,719

The accompanying notes are part of these financial statements.

APPROVED BY MANAGEMENT:

Norman C. Peterson, CA
Chairman and Chief Executive Officer

H. Ronald Crosby, CA
Executive Director, Finance and Administration

ALBERTA LOTTERY FUND

Alberta Gaming and Liquor Commission
Statement of Operations

For the year ended March 31, 2003 (thousands of dollars)

	Budget 2003	Acutal 2003			Actual 2002
	(Note 9)	Provincial Lotteries	Liquor and Other	Total	
Revenue					
Video lottery terminals	$	$ 8,711,686	$ –	$ 8,711,686	$ 9,031,379
Casino gaming and electronic racing terminals		7,756,712	–	7,756,712	6,144,390
Liquor		–	1,416,772	1,416,772	1,379,629
Ticket lottery		442,609	–	442,609	407,124
		16,911,007	1,416,772	18,327,779	16,962,522
Prizes and Cost of Product					
Video lottery terminals		8,000,083	–	8,000,083	8,294,676
Casino gaming and electronic racing terminals		7,176,122	–	7,176,122	5,676,480
Liquor		–	882,224	882,224	887,075
Ticket lottery		227,737	–	227,737	204,763
		15,403,942	882,224	16,286,166	15,062,994
Gross Profit	1,750,098	1,507,065	534,548	2,041,613	1,899,528
Commission and Federal Payments (Note 10)	–	(332,748)	–	(332,748)	(301,895)
Other Income (Note 11)	13,000	–	14,048	14,048	14,579
Operating Grants (Note 9)	117,714	–	–	–	83,150
Operating Expenses (Note 12)	(117,714)	(84,651)	(13,881)	(98,532)	(83,150)
Net Operating Results	$1,763,098	$ 1,089,666	$ 534,715	$ 1,624,381	$ 1,612,212

Alberta Gaming and Liquor Commission
Statement of Cash Flow

For the year ended March 31, 2003 (thousands of dollars)

	Actual 2003	Actual 2002
Cash from Operations		
Net operating results for the year	$ 1,624,381	$ 1,612,212
Decrease in provision for loss on leased properties	(424)	(608)
Amortization	20,090	20,733
(Gain) loss on disposal of property, plant and equipment	(1,105)	32
Change in Due to General Revenues from operating grant	(5,478)	2,914
Net change in non-cash working capital balances	(16,821)	15,990
	1,620,643	1,651,273
Remittances to the Alberta Lottery Fund	(1,079,626)	(1,102,590)
Remittances to General Revenues	(521,000)	(468,000)
	20,017	80,683
Cash Used for Investment		
Purchase of property, plant and equipment	(45,585)	(11,385)
Proceeds on disposal of property, plant and equipment	1,114	5
	(44,471)	(11,380)
Increase (Decrease) in Cash	(24,454)	69,303
Cash, beginning of year	143,873	74,570
Cash, end of year	$ 119,419	$ 143,873

ALBERTA LOTTERY FUND

Alberta Gaming and Liquor Commission
Notes to the Financial Statements

March 31, 2003 (tabular amounts in thousands)

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Gaming and Liquor Commission (the Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000.

The Commission conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code of Canada*, and controls, in accordance with legislation, the manufacture, importation, sale and purchase of liquor for the Government of Alberta.

Amendments to the *Gaming and Liquor Act*, proclaimed June 25, 2002, allow the Commission to deduct operating expenses from the remittances to the Alberta Lottery Fund and General Revenues. The net proceeds, after the deduction of related operating expenses, arising from the conduct of authorized ticket lottery, video lottery and casino gaming terminal operations in Alberta are remittable to the Alberta Lottery Fund. The net proceeds, after the deduction of related operating expenses, of liquor operations and other income are remittable to General Revenues.

The Commission is a Crown agent of the Government of Alberta and as such has a tax-exempt status.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a consistent basis. The preparation of financial statements for a period necessarily involves the use of estimates. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

JOINT VENTURE

Alberta's share of the operations of the Western Canada Lottery Corporation is accounted for as a joint venture using the proportionate consolidation method.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (CONTINUED)

INVENTORIES

Supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

Inventory held on behalf of liquor suppliers or agents, and related duties and taxes, are not recorded in the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method at annual rates which will reduce the original cost to estimated residual value over the useful lives of the assets, as follows:

Buildings and leasehold improvements	2.5% or 10% (or lease term)
Gaming systems and equipment	10% or 33 1/3%
Video lottery and casino gaming terminals	14.3%
Furniture and equipment	10% or 20%
Retailer fixtures and signage	20%
Computer software	33 1/3%
Vehicles	20% or 33 1/3%

Property, plant and equipment are not amortized until the assets are put into use.

PENSIONS

The Commission participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service related to prior years.

Alberta Gaming and Liquor Commission
Notes to the Financial Statements

March 31, 2003 (tabular amounts in thousands)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (CONTINUED)

REVENUE AND EXPENSE RECOGNITION

Revenue from video lottery terminals, casino gaming terminals and electronic racing terminals is recognized at the time that play has been completed and all machine credits have been played or converted to cash. Prizes, commissions and federal payments related to video lottery terminals, casino gaming terminals and electronic racing terminals are recognized on the same basis as the related revenues.

On-line ticket lottery revenues are recognized at the date of the draw with instant ticket revenues being recognized at the date of sale to retail. Prizes, commissions and federal payments relating to ticket revenues are recognized on the same basis as the related revenues.

Revenue from the sale of liquor is recognized when goods are shipped and title has passed to the customer. Revenue received in advance of shipment is deferred and recognized when goods are shipped and title has passed to the customer. Cost of product sold for liquor is recognized on the same basis as the related revenues.

ALLOCATION OF OPERATING EXPENSES

Operating expenses are allocated against provincial lottery revenue or liquor and other revenue, based on the nature of the expense.

NOTE 3 CASH

Cash consists of bank deposits and deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term securities. The CCITF earns interest on its daily cash balance at the average rate of interest earned by the CCITF, which varies depending on prevailing market interest rates. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

Alberta Gaming and Liquor Commission
Notes to the Financial Statements

March 31, 2003 (tabular amounts in thousands)

NOTE 4 PREPAID EXPENSES AND INVENTORIES

	March 31, 2003	March 31, 2002
Prepaid expenses	$ 4,221	$ 1,938
Gaming parts	3,338	3,806
Supplies	511	481
	$ 8,070	$ 6,225

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	March 31, 2003			March 31, 2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 4,113	$ –	$ 4,113	$ 4,113
Buildings and leasehold improvements	50,756	38,828	11,928	12,109
Gaming systems and equipment	53,492	37,416	16,076	12,069
Casino gaming terminals	84,015	33,533	50,482	35,534
Video lottery terminals	47,164	46,033	1,131	3,000
Furniture and equipment	31,222	24,412	6,810	1,148
Retailer fixtures and signage	7,578	6,937	641	703
Computer software	7,002	3,871	3,131	365
Vehicles	2,245	1,424	821	606
	$ 287,587	$ 192,454	$ 95,133	$ 69,647

ALBERTA LOTTERY FUND

Alberta Gaming and Liquor Commission
Notes to the Financial Statements

March 31, 2003 (tabular amounts in thousands)

NOTE 6 DEFINED BENEFIT PLANS

The Commission participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Commission also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,303,915 for the year ended March 31, 2003 (2002 - $1,039,206). The Commission's portion of the Western Canada Lottery Corporation pension expense is $303,021 for the year ended March 31, 2003 (2002 - $232,470).

At December 31, 2002, the Management Employees Pension Plan reported a deficiency of $301,968,000 (2001 – surplus of $5,338,000) and the Public Service Pension Plan reported an actuarial deficiency of $175,528,000 (2001 – surplus of $320,487,000). At December 31, 2002, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $6,472,000 (2001 – deficiency of $399,000). The Commission's portion of the Western Canada Lottery Corporation deficiency as at March 31, 2003 is $519,547 (2002 – deficiency of $23,106).

The Commission also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2003, the Bargaining Unit Plan reported an actuarial deficiency of $14,434,000 (2002 - actuarial deficiency of $8,646,000) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $3,053,000 (2002 - actuarial deficiency of $2,656,000). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 7 DUE TO THE ALBERTA LOTTERY FUND

This amount represents the portion of the revenues from lottery operations which has not been remitted to the Alberta Lottery Fund.

	March 31, 2003	March 31, 2002
Due to the Alberta Lottery Fund, beginning of year	$ 28,497	$ 26,008
Remittable to the Alberta Lottery Fund	1,089,666	1,105,079
Remittances to the Alberta Lottery Fund	(1,079,626)	(1,102,590)
Due to the Alberta Lottery Fund, end of year	$ 38,537	$ 28,497

NOTE 8 DUE TO GENERAL REVENUES

Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

	March 31, 2003	March 31, 2002
Due to General Revenues, beginning of year	$ 137,509	$ 95,462
Operating grant returned to General Revenues	(5,478)	(2,564)
	132,031	92,898
Net operating results for the year	1,624,381	1,612,212
Remittable to the Alberta Lottery Fund	(1,089,666)	(1,105,079)
Remittances to General Revenues	(521,000)	(468,000)
	13,715	39,133
Due to General Revenues from operating grant funds, end of year	–	5,478
Due to General Revenues, end of year	$ 145,746	$ 137,509

Amounts due to General Revenues are unsecured, non-interest bearing and have no specific terms of repayment.

NOTE 9 BUDGET

The Commission, in its annual business plan, includes its annual budget on a summarized basis. The summarized budget receives approval by the Minister of Gaming and becomes part of the estimates of the Government. The Government Estimates are approved by the Legislature.

Amendments to the *Gaming and Liquor Act*, as described in Note 1, eliminated the need for a $117.7 million operating grant to the Commission in 2002-2003.

Alberta Gaming and Liquor Commission
Notes to the Financial Statements

March 31, 2003 (tabular amounts in thousands)

NOTE 10 COMMISSIONS AND FEDERAL PAYMENTS

	2003	2002
Commissions		
Video lottery terminals	$ 106,722	$ 110,482
Casino gaming and electronic racing terminals:		
- Operators	88,418	73,430
- Charities	81,124	67,169
Ticket lottery	30,551	27,838
	306,815	278,919
Federal Tax Expenses [a]		
Video lottery terminals	10,425	9,215
Casino gaming and electronic racing terminals	5,883	4,919
Ticket lottery	3,798	3,126
	20,106	17,260
Payment to Federal Government [b]	5,827	5,716
	$ 332,748	$ 301,895

(a) Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on ticket lottery, video lottery and casino gaming terminal sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

(b) This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta, and is based on current population statistics and its share of ticket lottery sales.

Alberta Gaming and Liquor Commission
Notes to the Financial Statements

March 31, 2003 (tabular amounts in thousands)

NOTE 11 OTHER INCOME

	2003	2002
Licences and permits	$ 5,950	$ 5,861
Interest revenue	3,082	3,778
Miscellaneous	1,789	2,782
Premises rental revenue	753	623
Liquor levies	585	913
Retailer service fees	555	533
Fines and violations	229	121
Gain (loss) on disposal of property, plant and equipment	1,105	(32)
	$ 14,048	$ 14,579

NOTE 12 OPERATING EXPENSES

	2003	2002
Salaries and benefits	$ 30,245	$ 24,596
Amortization*	20,090	18,228
Leased Gaming Terminals	7,891	2,104
Data communications	7,717	7,085
Ticket printing	7,525	6,334
Equipment and vehicles	6,813	6,879
Media and media production	6,698	6,604
Property	2,403	1,976
Travel and training	1,685	1,322
Fees and services	1,496	3,098
Miscellaneous	1,314	373
Freight and product delivery	1,296	1,228
Stationery and supplies	1,165	984
Insurance and bank charges	856	1,041
Data processing	643	483
Retailer relations	544	262
Product expense	82	85
Presentations and publications	79	479
Overhead and other	(10)	(11)
	$ 98,532	$ 83,150

*Amortization for 2002 includes a reversal of a provision for loss on equipment of $2,505,000.

ALBERTA LOTTERY FUND

Alberta Gaming and Liquor Commission
Notes to the Financial Statements

March 31, 2003 (tabular amounts in thousands)

NOTE 13 COMMITMENTS

The Commission has a number of lease obligations, including regional offices, gaming warehouses and former retail liquor stores that operate under lease arrangements with terms ranging from one to 29 years. Most of these former properties have been sub-leased to third parties. The Commission remains liable for the leases should the sublessor default on their obligations to the Commission. The Commission's future minimum lease payments, including its proportionate share of the Western Canada Lottery Corporation commitments, is summarized as follows:

2003-2004	$ 1,772
2004-2005	1,519
2005-2006	1,457
2006-2007	1,275
2007-2008	1,137
Balance to expiry	5,601
	$ 12,761

Estimated future revenues to be derived from subleases amount to $7.5 million at March 31, 2003. Provision for loss on leased properties has been made where the payments to be received on the sub-leases are less than the lease payments to be made.

NOTE 14 CONTINGENCIES

At March 31, 2003 the Commission is a defendant in 11 legal claims (2002 – nine legal claims). Nine of these claims have specified amounts, and the remaining two have not specified any amount (2002 – six claims with specified and three with no specified amount). Included in the total claims are nine claims in which the Commission has been jointly named with other entities.

In conjunction with the joint venture operating with the Western Canada Lottery Corporation, it is also noted that the Western Canada Lottery Corporation is a defendant in three legal claims, all with specified amounts (2002 - four claims with a specified amount).

The resulting loss, if any, from these claims cannot be determined.

Alberta Gaming and Liquor Commission
Notes to the Financial Statements

March 31, 2003 (tabular amounts in thousands)

NOTE 15 SALARIES AND BENEFITS

	2003			2002
	Salary (a)	Benefits (b)	Total	Total
Senior Officers				
Chairman and CEO (c)	$ 88	$ 13	$ 101	$ 94
Board Members	68	–	68	80
Executives				
Executive Director, Regulatory	123	28	151	131
Executive Director, Gaming and Product Services	127	28	155	134
Executive Director, Information Systems	104	20	124	111
Executive Director, Finance and Administration	97	18	115	107

(a) Salary includes regular base pay, bonuses and lump sum payments.

(b) Benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability, professional memberships, tuition and automobile benefits.

(c) The Deputy Minister for Gaming also serves as the Chairman and CEO of the Alberta Gaming and Liquor Commission. A portion of the Deputy Minister's salary is allocated to the Alberta Gaming and Liquor Commission, representing the proportionate amount of time the Deputy Minister spends on Commission business. Full salary and benefits are disclosed in the Department of Gaming financial statements.

Alberta Gaming and Liquor Commission
Notes to the Financial Statements

March 31, 2003 (tabular amounts in thousands)

NOTE 16 JOINT VENTURE - TICKET LOTTERY OPERATIONS

The joint venture conducted by Western Canada Lottery Corporation is accounted for using the proportionate consolidation method. The Commission has included in its accounts the following aggregate amounts:

	March 31, 2003	March 31, 2002
Balance Sheet		
Current assets	$ 27,356	$ 27,965
Property, plant and equipment	11,241	7,453
	$ 38,597	$ 35,418
Current liabilities	$ 19,433	$ 18,248
Investment in joint venture	19,164	17,170
	$ 38,597	$ 35,418

	2003	2002
Statement of Operations		
Gross profit	$ 174,696	$ 165,681
Operating expenses	(23,966)	(21,017)
Net operating results	$ 150,730	$ 144,664
Statement of Cash Flow		
Cash from operations	$ 148,544	$ 145,384
Cash used for investment	$ 5,453	$ 620

Alberta Gaming and Liquor Commission
Notes to the Financial Statements

March 31, 2003 (tabular amounts in thousands)

NOTE 17 RELATED PARTY TRANSACTIONS

The Commission has the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. The amounts are not included in the financial statements.

	2003			2002
	Expenses Incurred by Others[a]			
	Accomodation Costs[b]	Legal Services[c]	Total Expenses	Total Expenses
Division				
Regulatory	$ –	$ 109	$ 109	$ 68
Commission Office	–	32	32	40
Gaming Products and Services	–	16	16	3
Finance and Administration	1	2	3	16
Human Resources	–	1	1	–
Information Systems	–	–	–	2
	$ 1	$ 160	$ 161	$ 129

(a) Costs incurred by Alberta Justice and Alberta Infrastructure on behalf of the Alberta Gaming and Liquor Commission.

(b) Net costs for Accommodation (includes grants in lieu of taxes) in St. Albert.

(c) Costs for Legal Services allocated on hours of service provided.

The Commission also had the following transactions with related parties recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

Alberta Corporate Service Centre	$ 151
Risk Management and Insurance	122
Alberta Infrastructure	25
	$ 298

ALBERTA LOTTERY FUND

Alberta Lottery Fund Commitments 2003-2004

(thousands of dollars)

The Alberta Lottery Fund is the government's share of net revenues from VLTs, slot machines and ticket lotteries. Alberta Lottery Fund revenues are invested back into Alberta's communities through 12 Ministries and seven programs and foundations.

The Alberta Lottery Fund enhances the quality of life for all Albertans by supporting thousands of worthwhile volunteer, non-profit, public and community-based projects and initiatives.

Alberta Lottery Fund expenditures are approved annually by the Provincial Legislature. The following is a list of Alberta Lottery Fund estimates for 2003-2004.

Agriculture, Food and Rural Development	
Agriculture Initiatives	$ 11,620
Agricultural Service Boards	5,000
	16,620
Children's Services	
Family and Community Support Services	**30,000**
Community Development	
Hosting 2004 Arctic Winter Games	500
Hosting 2007 Western Canada Games	100
Hosting 2005 World Masters Games	1,300
Edmonton 2004 Centennial	1,400
Alberta Foundation for the Arts	29,034
Alberta Historical Resources Foundation	6,946
Alberta Sport, Recreation, Parks and Wildlife Foundation	17,670
Human Rights, Citizenship and Multiculturalism Education Fund	1,265
Wild Rose Foundation	7,766
Arts Development	1,464
Volunteer Services	3,502
Sport and Recreation	1,158
First Nations Development Fund	4,000
	76,105

Alberta Lottery Fund Commitments 2003-2004

(thousands of dollars)

Economic Development	
Travel Alberta Secretariat	900
In-Alberta/Regional Marketing	2,200
International Marketing (Tourism)	7,500
Alberta Image Promotion	400
Tourism Research	200
Visitor Support Services	2,100
Tourism Destination Regions	800
	14,100
Gaming	
Community Facility Enhancement Program	38,500
Community Initiatives Program	30,000
Alberta Gaming Research Institute	1,500
Alberta Gaming Research Council	100
Edmonton Northlands	7,100
Calgary Exhibition and Stampede	7,100
Major Fairs and Exhibitions	2,660
Racing Industry Renewal	37,000
Edmonton Oilers Ticket Lottery	2,700
Calgary Flames Ticket Lottery	2,700
Bingo Associations	4,000
Other Initiatives	13,088
	146,448
Health and Wellness	
Community Based Health Services	10,000
Human Tissue and Blood Services	130,000
Alberta Alcohol and Drug Abuse Commission	48,855
Aboriginal Health Strategies	2,200
Health Services Research	5,325
	196,380

ALBERTA LOTTERY FUND

Alberta Lottery Fund Commitments 2003-2004

(thousands of dollars)

Infrastructure	
Health Facilities	50,000
School Facilities	80,000
Post-Secondary Facilities	15,000
	145,000
Innovation and Science	
Alberta Science and Research Investment Program	39,222
Alberta Agricultural Research Institute	8,875
Alberta SuperNet	60,700
Informatics Circle of Research Excellence	10,000
Alberta Forestry Research Institute	1,760
Alberta Energy Research Institute	6,940
	127,497
Learning	
Achievement Scholarships	3,100
Learning Television	4,600
School Support – Online Curriculum Repository	3,800
School Support – Transportation Subsidies	60,000
School Support – High-Speed Networking	6,000
School Support – School Technology Upgrading	20,000
Community Education	18,900
	116,400
Municipal Affairs	
Municipal Sponsorship	12,000
Unconditional Municipal Grants	28,000
	40,000

Alberta Lottery Fund Commitments 2003-2004

(thousands of dollars)

Transportation	
Water Management Infrastructure	15,000
Municipal Water and Wastewater Grants	20,000
Rural Transportation Partnerships	35,000
Street Improvement Program	25,000
	95,000
Finance	
Transfer to Contingency Allowance/ Alberta Sustainability Fund	**95,679**
TOTAL	**$ 1,099,229**

If gambling is a concern for you or someone you know, call the 24-hour AADAC Help Line, toll-free 1-866-332-2322, for confidential information and support.

For more information on the Alberta Lottery Fund, please visit our Web site at **www.albertalotteryfund.ca** or contact us at:

Alberta Lottery Fund
50 Corriveau Avenue
St. Albert, AB T8N 3T5
Phone: (780) 447-8600 (Dial 310-0000 for toll-free access)
Fax: (780) 447-8903
Email: feedback@albertalotteryfund.ca

ALBERTA LOTTERY FUND

Additional copies of this annual report may be obtained from:
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Alberta Gaming and Liquor Commission
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Alberta Advantage

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